AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON 1997

REGISTRATION NO.

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1996
Commission File Number 1-11893

GUESS ?, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	95-3679695
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1444 SOUTH ALAMEDA STREET
LOS ANGELES, CALIFORNIA 90021
(213) 765-3100

(Address, including zip code, and telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /X/

As of March 21, 1997, the aggregate market value of the voting stock held by

non-affiliates of the registrant was $73,616,906.

As of March 21, 1997, the registrant had 42,898,035 shares of Common Stock outstanding.

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PART I

ITEM 1. BUSINESS

IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

Various forward-looking statements have been made in this Form 10-K. Forward-looking statements may also be in the registrant's other reports filed under the Securities Exchange Act of 1934, in its press releases and in other documents. In addition, from time to time, the registrant through its management may make oral forward-looking statements.

Forward-looking statements generally refer to future plans and performance, and are identified by the words "believe", "expect", "anticipate", "optimistic", "intend", "aim", "will" or similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of which they are made. The registrant undertakes no obligation to update publicly or revise any forward-looking statements.

For additional information regarding forward-looking statements, refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

GENERAL

Guess ?, Inc. (the Company or "Guess"), founded in 1981 by the Marciano brothers, designs, markets, distributes and licenses one of the world's leading lifestyle collections of casual apparel, accessories and related consumer products. The Company's apparel for men and women is marketed under numerous trademarks Guess, Guess ?, Guess U.S.A., Guess Collection and Guess ? and Triangle Design. The lines include full collections of denim and cotton clothing, including jeans, pants, overalls, skirts, dresses, shorts, blouses,

shirts, jackets and knitwear. In addition, the Company has granted licenses to manufacture and distribute a broad range of products that complement the Company's apparel lines, including clothing for infants and children, activewear, footwear, eyewear, watches, home products and other fashion accessories. Revenue generated from wholesale and retail operations and from licensing activities, were 52.2%, 38.1% and 9.7%, respectively, of net revenue in 1996. The Company's total net revenue in 1996 was $551.2 million and pro forma net earnings (as described under the Caption "Pro Forma Results of Operations," contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations) were $52.3 million.

The Company derives its net revenue from the sale of Guess men's and women's apparel worldwide to wholesale customers and distributors, from the sale of Guess men's and women's apparel and its licensees' products through the Company's network of retail and factory outlet stores primarily in the United States and from net royalties from worldwide licensing activities. The following table sets forth the net revenue of the Company through its channels of distribution.

	YEAR ENDED DECEMBER 31,					
	1996		1995		1994	
	(IN THOUSANDS)					
Net Revenue:						
Wholesale operations	$ 288,046	52.2%	$ 270,931	55.7%	$ 358,125	65.4%
Retail operations	209,828	38.1	169,428	34.8	149,337	27.2
Net revenue from product sales	497,874	90.3	440,359	90.5	507,462	92.6
Net royalties	53,288	9.7	46,374	9.5	40,350	7.4
Total net revenue	$ 551,162	100.0%	$ 486,733	100.0%	$ 547,812	100.0%

PRODUCTS

COMPANY PRODUCTS. The Company's apparel products are organized into two primary categories: men's apparel and women's apparel (including Guess Collection). A major portion of the Company's men's and women's apparel lines consists of basic, recurring styles which the Company believes are less susceptible to fashion obsolescence and are less seasonal in nature than fashion product styles. Basic product styles provide the Company with a base of business that usually carries over from season to season and year to year. Basic products are primarily made of denim and include jeans, skirts, dresses, overalls and shorts in a variety of fits, washes and styles. To take advantage of contemporary trends, the Company complements its basic styles with more fashion-oriented items. Fashion products range in style from contemporary sportswear to casual apparel and include colored denim items, pants, shirts, jackets and knitwear, made of a variety of materials including fine cotton, man-made fabric and leather. A limited number of best-selling fashion items in a collection may be included in one or more subsequent collections, and a select few may be added to the Company's basic styles.

In 1993, the Company expanded its line of women's apparel to include the Guess Collection, a collection of women's skirts, tops, jackets, blazers and blouses incorporating a sophisticated combination of colors and styles. The Guess Collection was introduced exclusively through Guess stores and, based upon positive consumer reaction, the Company expanded distribution of the Guess Collection to selected better department stores in the 1996 Fall season. The Guess Collection appeals to the contemporary segment of the apparel market and is generally sold in separate selling areas from other Guess denim and casual apparel.

LICENSED PRODUCTS. The high level of desirability of the Guess brand name among consumers has allowed the Company to selectively expand its product offerings through licensing arrangements. The Company currently has 29 licensees. Sales of licensed products (as reported to the Company by its

licensees) have grown from $451.7 million in 1993 to $741.4 million in 1996. The Company's net royalties from such sales including fees from new licensees increased from $28.8 million in 1993 to $53.3 million in 1996. Approximately 45% of the Company's net royalties were derived from its top four licensed product lines in 1996.

DESIGN

Under the direction of Maurice Marciano, Guess garments are designed by an in-house staff of four design teams (men's, women's, Guess Collection and Guess Europe) located in Los Angeles and Florence, Italy. Guess design teams travel throughout the world in order to monitor fashion trends and discover new fabrics. Fabric shows in Europe, Asia and the United States provide additional opportunities to discover and sample new fabrics. These fabrics, together with the trends uncovered by the Company's designers, serve as the primary source of inspiration for the Company's lines and collections. The Company also maintains a fashion library consisting of antique and contemporary garments as an additional source of creative concepts. In addition, design teams regularly meet with members of the sales, merchandising and retail operations to further refine the Company's products in order to meet the particular needs of the Company's markets.

DOMESTIC WHOLESALE CUSTOMERS

The Company's domestic wholesale customers consist primarily of better department stores and select upscale specialty stores, which have the image and merchandising expertise that Guess requires for the effective presentation of its products. Leading wholesale customers include Federated Department Stores, Inc., The May Department Stores Company, Dillard Department Stores, Inc. and select upscale specialty stores. During 1996, the Company sold its products directly to over 3,000 retail doors within the United States.

A key element of the Company's merchandising strategy is the shop-in-shop merchandising format, an exclusive selling area within a department store that presents a full array of Guess products using Guess signage and fixtures. As of December 31, 1996, there were approximately 1,276 shop-in-shops (excluding shop-in-shops installed by licensees) that feature Guess products (other than the Guess Collection) and the Company intends to add approximately 140 and remodel approximately 100 shop-in-shops by the end of 1997. Guess also intends to establish Guess Collection shop-in-shops, in addition to existing shop-in-shops, in selected better department stores beginning in the Spring of 1997.

Sales representatives are located in the Company's showrooms in New York, Los Angeles, Dallas, Atlanta, Chicago, Hong Kong, Milan and Florence. They coordinate with buyers for the Company's customers to determine the inventory level and product mix that should be carried in each store to maximize retail sell-through and enhance the customers' profit margins. Such inventory level and product mix are then used as the basis for developing sales projections and product needs for each wholesale customer and scheduling production. The merchandisers work with the store to ensure that the Company's products are appropriately displayed.

Certain of the Company's domestic wholesale customers, including some under common ownership, have accounted for significant portions of the Company's net revenue. During 1996, Bloomingdale's, Macy's and other affiliated stores owned by Federated Department Stores, Inc. together accounted for approximately 8.6% of the Company's net revenue. During the same period, The May Company and Dillard's accounted for approximately 6.7% and 5.9% of the Company's net revenue, respectively.

DOMESTIC RETAIL OPERATIONS

As of December 31, 1996, the Company's domestic retail operations consisted of 69 retail and 46 factory outlet stores owned and operated directly by Guess in the United States, which principally sell Guess label products. Guess retail

stores outside the United States, with the exception of the Company-owned and operated store in Florence, Italy, are owned and operated by the Company's distributors and licensees. See "International Business". Since the beginning of 1993 through December 31, 1996, the Company has opened a total of 41 retail and 31 factory outlet stores and has closed 11 retail and 7 factory outlet stores. The percentage of net revenue generated by the retail network has increased from 29.0% to 42.1% of the Company's net revenue from product sales from 1993 through 1996.

RETAIL STORES. The Company's 69 domestic retail stores typically range in size from approximately 3,400 to 8,500 square feet. The Company's retail stores carry a full assortment of men's and women's Guess merchandise, including most of its licensed products. The Company intends to continue to locate its stores in regional malls with a smaller number of flagship stores in major cities. During 1996, the Company opened 7 retail stores and plans to open a net of approximately 13 additional retail stores during 1997 (including two closures and two store consolidations).

FACTORY OUTLET STORES. The Company's 46 domestic factory outlet stores typically range in size from approximately 2,100 to 7,500 square feet and are located in outlet malls and strip centers outside the shopping radius of the Company's wholesale customers and its retail stores. These stores sell selected styles of Guess apparel and licensed products at a discount to value-conscious customers, enabling the Company to effectively control the distribution of its excess inventory, thereby protecting the Guess image. During 1996, the Company opened one, closed one and consolidated one factory store. The Company plans to open an additional three factory outlet stores in 1997.

INTERNATIONAL BUSINESS

Guess derives net revenue and earnings from outside the United States from three principal sources: (i) sales of Guess brand apparel directly to 12 foreign distributors who distribute such apparel to better department stores, upscale specialty retail stores and Guess-licensed retail stores operated by Guess distributors or licensees, (ii) royalties from licensees who manufacture and distribute Guess brand products

outside the United States and (iii) sales of Guess brand apparel by Guess Europe directly to upscale retail stores in Italy (See Licensing Agreements and Terms).

Since 1991, the Company has been selling its products through distributors and licensees in Asia, the Middle East and Australia. In 1993, the Company opened a design studio, sourcing office, sales office and warehouse in Italy and in 1994 began sourcing, marketing and distributing products directly in Italy and executed a distribution agreement for Spain. More recently, Guess has entered into distribution arrangements in for Belgium, Germany, the Netherlands, Peru, Turkey and the United Kingdom.

As of December 31, 1996, 234 Guess retail stores were operated internationally, 149 of which were operated by licensees and 85 of which were operated by distributors. The Company's retail store license agreements generally provide detailed guidelines for store fixtures, merchandising and marketing programs and the appearance, merchandising and service standards of these stores are closely monitored to ensure the Guess image is maintained. The Company has been advised by its distributors and licensees that they plan to establish approximately 31 new distributor-operated stores and approximately 20 licensee-operated stores, respectively, in 1997. Guess also owns and operates a flagship Guess retail store located in Florence, Italy.

LICENSING AGREEMENTS AND TERMS

The Company's manufacturing license agreements customarily provide for a three to five year initial term with a possible option to renew prior to expiration for an additional multi-year period. In addition to licensing products which complement the Company's apparel products, Guess has granted licenses for the manufacture and sale of Guess branded products similar to the

Company's, including men's and women's denim and knitwear, in markets such as Canada, Argentina, Mexico, the Philippines, South Korea, Brazil and Japan. Licenses granted to certain licensees which have produced high-quality products and otherwise have demonstrated exceptional operating performance, such as Guess Watches and Guess Eyewear, have been renewed and in some cases expanded to include new products or markets. The typical license agreement requires that the licensee pay the Company the greater of a royalty based on a percentage of the licensee's net sales of licensed products or a guaranteed minimum royalty that typically increases over the term of the license agreement. Generally, licensees are required to spend a percentage of the net sales of licensed products for advertising and promotion of the licensed products. In addition, certain licensees are required to contribute toward the protection of the Company's trademarks within the territories granted to such licensees, thereby assisting Guess in its efforts to prevent counterfeiting and other trademark infringement in such countries.

The Company's Licensing Department strictly monitors product design, development, merchandising and marketing. All Guess brand products, advertising, promotional and packaging materials must be approved in advance by Guess. The Licensing Department meets regularly with licensees to ensure consistency with Guess's overall marketing, merchandising and design strategies, and to ensure uniformity and quality control.

In addition to the retail stores operated outside of the United States as mentioned above in the section "International Business", Guess licensees operate 50 retail stores in the United States.

In March 1997, the Company signed a letter of intent to form a joint venture in Europe with the Fingen Group, a leading European apparel manufacturer and distributor owned by the Fratini family. The new joint venture, Maco Apparel S.r.1., will enter into a licensing agreement with the Company for the manufacture and sale of its jeanswear lines throughout Europe and will purchase certain of the Company's operations in Italy. Maco Apparel S.r.1. will produce a full collection of casual lifestyle jeanswear apparel, including men's and women's jeans. The Company will continue to design the collections to be sold in the European market. This transaction is expected to close during the summer of 1997.

ADVERTISING, PUBLIC RELATIONS AND MARKETING

The Company's advertising, public relations and marketing strategy is to promote a consistent high impact image which endures regardless of changing consumer trends. Since the Company's inception, Paul Marciano has had principal responsibility for the Guess brand image and creative vision. All worldwide advertising and promotional material is controlled through the Company's Advertising Department based in Los Angeles, while Guess Public Relations and Special Events are based in New York. Guess Jeans, Guess U.S.A. and Guess Inc. images have been showcased in international print campaigns in dozens of major magazines, on billboards, bus shelters and telephone kiosks, on television and most recently in movie theaters throughout the United States.

ADVERTISING. The Company's advertising strategy is designed to promote the Guess image rather than focus on specific products. The Company's distinctive black and white print advertisements have garnered prestigious awards, including Clio, Belding and Mobius awards for creativity and excellence. Such awards, which the Company has received on numerous occasions, are generally awarded on the basis of the judgment of prominent members of the advertising industry. Guess has maintained a high degree of consistency in its advertisements, using similar themes and images. The Company requires its licensees and distributors to invest a percentage of their net sales of licensed products and net purchases of Guess products, respectively, in advertising, promotion and marketing. During 1996, the Company's advertising expenditures, together with amounts spent by its licensees and distributors (as reported to the Company by such licensees and distributors), exceeded $50 million.

The Company's in-house Advertising Department is responsible for media

placement of all advertising worldwide, including that of its licensees and distributors. The Company uses a variety of media, primarily black and white print and outdoor advertising, in various countries. The Company has focused advertisement placement in national and international contemporary fashion/beauty and lifestyle magazines including Vogue, Glamour, Vanity Fair, Harpers Bazaar, Elle, W and Details. By retaining control over its advertising programs, the Company is able to maintain the integrity of the Guess brand image while realizing substantial cost savings compared to the use of outside agencies.

PUBLIC RELATIONS. The Company's Public Relations Department is responsible for communicating the Guess image to the public and news media worldwide. The Public Relations Department also coordinates local publicity and special events programs for the Company and its licensees, including in-store Guess model and celebrity appearances and fashion shows.

MARKETING. The Company utilizes various additional marketing tools such as corporate mailers, videos, newsletters, special events and a toll free Guess number to assist customers worldwide in finding Guess retail locations. The Company also produces 200,000 copies of the Guess Journal, a full color, oversized semi-annual magazine available in retail stores worldwide or through the Guess mailing list. The Guess Journal features trends in the arts, travel destinations, candid celebrity profiles, philanthropic events and Guess product information. Additionally, the Company recently completed a comprehensive market research effort to better understand its various target consumer segments. Key findings from this research effort are expected to help the Company develop more strategically focused programs to effectively and efficiently reach target consumers while strengthening the equity in the Guess brand name.

The Company further strengthens communications with customers through the World of Guess, the Company's Internet site on the World Wide Web (http://www.guess.com). This global medium enables the Company to provide timely information in an entertaining fashion to consumers on the Company's history, Guess products and store locations and allows the Company to receive and respond directly to customer feedback.

SOURCING AND PRODUCT DEVELOPMENT

The Company sources products through numerous suppliers, many of whom have established relationships with the Company. The Company seeks to achieve the most efficient means for the timely delivery of its high quality products. The Company's fabric specialists work with fabric mills in the United States, Europe and Asia to develop woven and knitted fabrics that enhance the products' comfort, design and appearance. For a substantial portion of the Company's apparel products, fabric purchases take place generally four to five months prior to the corresponding selling season. Apparel production (cut, manufacture and trim) for fashion products generally begins after the Company has received customer orders. Delivery of wholesale fashion products to customers occurs approximately 90 to 120 days after receipt of customers' orders. Delivery of certain basic products are generally done through the Company's Quick Response EDI (Electronic Data Interchange) replenishment system which ensures shipment of such products generally within 48 hours of receipt of customer orders.

The Company engages both domestic and foreign contractors for the production of its products. During 1996, the Company purchased approximately 63% of its raw materials, labor and finished goods in the United States, 20% in Hong Kong, Taiwan, South Korea and other Asian countries and 17% elsewhere. In recent years, Guess has been increasing its sourcing of fabrics and production outside the United States. The production and sourcing staffs in Los Angeles and Italy oversee all aspects of fabric acquisition, apparel manufacturing, quality control and production, as well as researching and developing new sources of supply. The Company operates product sourcing and quality control offices in Los Angeles, Hong Kong and Florence.

The Company does not own any production equipment other than cutting, silkscreen and embroidery machinery. The Company's apparel products are produced

for the Company by approximately 100 different contractors. None of the contractors engaged by the Company has accounted for more than 15% of the Company's total production. The Company has long-term relationships with many of its contractors, although it does not have long-term written agreements with them. The Company uses a variety of raw materials, principally consisting of woven denim, woven cotton and knitted fabrics and yarns. The Company must make commitments for a significant portion of its fabric purchases well in advance of sales, although the Company's risk is reduced because a substantial portion of the Company's products (approximately 40% in 1996) are sewn in basic denim.

QUALITY CONTROL

The Company's quality control program is designed to ensure that products meet the Company's high quality standards. The Company monitors the quality of its fabrics prior to the production of garments and inspects prototypes of each product before production runs are commenced. The Company also performs random in-line quality control checks during and after production before the garments leave the contractor. Final random inspections occur when the garments are received in the Company's distribution centers. The Company believes that its policy of inspecting its products at its distribution centers and at the contractors' facilities is important in maintaining the quality and reputation of its products. The Company also conducts inspections on all licensed products.

WAREHOUSE AND DISTRIBUTION CENTERS

The Company utilizes distribution centers at three strategically located sites. Two of the distribution centers are operated by the Company and one is operated by an independent contractor. Distribution of the Company's products in the United States is centralized in the Los Angeles facility operated by the Company. The Company also operates a distribution center in Florence to service Europe (See note 16 "Subsequent Event" to the Company's consolidated financial statements). Additionally, the Company utilizes a contract warehouse in Hong Kong that services the Pacific Rim.

In order to ensure that each of its retail customers receives merchandise in satisfactory condition, substantially all Company products are processed through one of the Company's distribution centers before delivery to the retail customer. Each customer is assigned to one of the Company's distribution centers, depending on the customer's location.

At its distribution center in Los Angeles, the Company has also developed a fully integrated and automated distribution system. The bar code scanning of merchandise, picking tickets and distribution cartons, together with radio frequency communications, provide timely, controlled, accurate and instantaneous updates to the distribution information systems.

COMPETITION

The apparel industry is highly competitive and fragmented, and is subject to rapidly changing consumer demands and preferences. The Company believes that its success depends in large part upon its ability to anticipate, gauge and respond to changing consumer demands and fashion trends in a timely manner and upon the continued appeal to consumers of the Guess image. Guess competes with numerous apparel manufacturers and distributors and several well-known designers which have recently entered or re-entered the designer denim market. The Company's retail and factory outlet stores face competition from other retailers, including some of the Company's major wholesale customers. The Company's licensed apparel and accessories also compete with a substantial number of designer and non-designer lines and various other well-known brands. Many of the Company's competitors have greater financial resources than Guess. Although the level and nature of competition differ among its product categories, Guess believes that it competes on the basis of its brand image, quality of design, workmanship and product assortment.

TRADEMARKS

The Company's owns numerous trademarks including Guess ?, Guess, Guess ? and Triangle Design, Baby Guess, Guess Kids, Guess U.S.A. and Guess Collection. As of December 31, 1996, the Company had more than 1,500 U.S. and international registered trademarks or trademark applications pending with the trademark offices of the United States and over 137 countries around the world. From time to time, the Company adopts new trademarks in connection with the marketing of new product lines. The Company considers its trademarks to have significant value in the marketing of its products and has acts aggressively to register and protect its trademarks worldwide.

Like many well-known brands, the Company's trademarks are subject to infringement. Guess has a staff devoted to the monitoring and aggressive protection of its trademarks worldwide.

WHOLESALE BACKLOG

The Company maintains a model stock program in its basic denim products under which Guess can replenish a customer's inventory generally within 48 hours. Guess generally receives orders for its fashion apparel 90 to 120 days prior to the time the products are delivered to stores. As of March 16, 1997, the Company had unfilled wholesale orders, consisting primarily of orders for fashion apparel, of approximately $83.0 million, compared to $64.0 million of such orders as of March 17, 1996. Guess expects to fill substantially all of these orders in 1997. The backlog of wholesale orders at any given time is affected by a number of factors, including seasonality and the scheduling of manufacturing and shipment of products. Accordingly, a comparison of backlogs of wholesale orders from period to period is not necessarily meaningful and may not be indicative of eventual actual shipments.

EMPLOYEES

Guess believes that its employees ("associates") are one of its most valuable resources. As of December 31, 1996, there were approximately 3,000 associates. Total associates include approximately 1,200 in wholesale operations and approximately 1,800 in retail operations.

Guess is not a party to any labor agreements and none of its associates is represented by a labor union. The Company considers its relationship with its associates to be good and has not experienced any interruption of its operations due to labor disputes. In addition, the Company was among the first in the apparel industry to implement a program to monitor the compliance of subcontractors with Federal minimum wage and overtime pay requirements. See "Item 3. Litigation".

ENVIRONMENTAL MATTERS

The Company is subject to federal, state and local laws, regulations and ordinances that (i) govern activities or operations that may have adverse environmental effects (such as emissions to air, discharges to water, and the generation, handling, storage and disposal of solid and hazardous wastes) or (ii) impose liability for the costs of clean up or other remediation of contaminated property, including damages from spills, disposals or other releases of hazardous substances or wastes, in certain circumstances without regard to fault. Certain of the Company's operations routinely involve the handling of chemicals and wastes, some of which are or may become regulated as hazardous substances. The Company has not incurred, and does not expect to incur, any significant expenditures or liabilities for environmental matters. As a result, the Company believes that its environmental obligations will not have a material adverse effect on its financial condition or results of operations.

ITEM 2. PROPERTIES

Certain information concerning Guess's principal facilities, all of which are leased, is set forth below:

LOCATION	USE	APPROXIMATE AREA IN SQUARE FEET
1444 South Alameda Street Los Angeles, California	Principal executive and administrative offices, design facilities, sales offices, distribution and warehouse facilities, production control, sourcing	514,000
1385 Broadway 119 W. 40th Street New York, New York	Administrative offices, public relations, showrooms	47,700
Kowloon, Hong Kong	Distribution, showrooms, licensing coordination control	3,000
Milan, Italy	Showrooms	1,800
Florence, Italy	Administrative offices, design facilities, production control, sourcing, retail distribution and warehouse facility	17,200

The Company's corporate, wholesale and retail headquarters and its production, warehousing and distribution facilities are located in Los Angeles, California and consist of seven adjacent buildings totaling approximately 514,000 square feet. Certain of these facilities are leased from limited partnerships in which the sole partners are trusts controlled by and for the benefit of Maurice Marciano, Paul Marciano and Armand Marciano and their families (the "Principal Stockholders") pursuant to leases that expire in July 2008. The total lease payments to these limited partnerships are $218,000 per month with aggregate minimum lease commitments to these partnerships at December 31, 1996 totaling approximately $31.1 million. See "Item 13. Certain Relationships and Related Transactions."

In addition, Guess leases its showrooms, advertising, licensing, sales and merchandising offices, remote warehousing facility and retail and factory outlet store locations under non-cancelable operating lease agreements expiring on various dates through January 2012. These facilities are located principally in the United States, with aggregate minimum lease commitments, at December 31, 1996, totaling approximately $169.7 million.

The current terms of the Company's store leases, including renewal options, expire as follows:

YEARS LEASE TERMS EXPIRE	NUMBER OF STORES
1996-1998	5
1999-2001	8
2002-2004	47
2005-2007	54
Thereafter	2

Guess believes that its existing facilities are well maintained, in good operating condition and are adequate to support its present level of operations. See "Item 13. Certain Relationships and Related Transactions." See Notes 8 and 9 of Notes to Financial Statements for further information regarding current lease obligations.

ITEM 3. LEGAL PROCEEDINGS

LITIGATION

On August 7, 1996, a class action complaint naming the Company and certain of its independent contractors was filed in the Superior Court of the State of California for the County of Los Angeles, styled as Brenda Figueroa et. al. v. Guess ?, Inc. et. al. (Dist. Ct. Case No. 96-5484HLH(JGx)) (the "Federal Case"). The complaint, which sought damages and injunctive relief, alleged, among other things, that the defendants' practices with respect to the employees of such independent contractors have violated various federal and state labor laws and regulations. Certain components of the complaint have been remanded to state court (LASC Case No. BC 155 165) (the "State Case"), resulting in two litigation cases. In the Federal Case, plaintiffs claim that the Company's independent

contractors violated the Federal Fair Labor Standards Act ("FLSA") by failing to pay minimum wage and overtime in accordance with the FLSA. In the State Case, also a purported class action, plaintiffs assert claims for violation of state wage and hour laws, wrongful discharge, breach of contract, and certain counts of negligence arising out of the Company's relationship with its independent contractors and actions taken by the Company's independent contractors with respect to the employees of such independent contractors. In the State Action, plaintiffs allege that the Company breached its agreement with the United States Department of Labor regarding the monitoring of its independent contractors. In both actions, plaintiffs contend that the Company is liable for its contractors' violations because it is a "joint employer" with its independent contractors. The trial in the Federal Case is currently set for December 1997.

The Union of Needletrades, Industrial & Textile Employees ("UNITE") has filed with the National Labor Relations Board ("NLRB") several charges that the Company has engaged and is engaging in unfair labor practices within the meaning of the National Labor Relations Act. In cases No. 21-CA-31524, No. 21-CA-31565 and No. 21-CA-31648, UNITE has alleged that the senior management of the Company unlawfully discharged certain employees because of certain union activities and unlawfully threatened and coerced employees in the exercise of their rights under Section 7 of the National Labor Relations Act. In an agreement with the NLRB, the Company agreed to reinstate all of the employees allegedly unlawfully discharged because of their union activities and agreed to pay them back pay which aggregates appoximately $70,000. The settlement also provides for the posting of a notice for 60 days at the Company stating that the matter has been settled and that the Company agrees to comply with the National Labor Relations Act. The notice has a non-admission clause concerning liability. Prior to the payment of the back wages,

UNITE filed an additional unfair labor practice charge with the NLRB (No. 21-CA-31807). In this charge, the union alleges that the Company has unlawfully threatend to move its production to Mexico and elsewhere outside the United States thus unlawfully interfering with the organizing campaign at the Company's headquarters, and has unlawfully ceased doing business with independent contractors at which ongoing union organizing campaigns are being conducted. This charge also alleges that the Company has violated the settlement agreement in cases No. 21-CA-31524, No. 21-CA-31565 and No. 21-CA-31648 by making such threats. Charge No. 21-CA-31807 is currently under investigation by the NLRB. Pending a decision by the NLRB regarding the allegation that the Company breached the settlement agreement reached in cases No. 21-CA-31524, No. 21-CA-31565 and No. 21-CA-31648, the Company has withheld paying the approximately $70,000 in back wages agreed to in its above described settlement with the NLRB and has not posted notice of the settlement agreement. The subject employees, however, have been reinstated and continue to be employed by the Company. In a separate action (No. 31-CA-22380), UNITE is seeking fees and costs for having to defend certain causes of actions filed against UNITE by Guess. The Company believes that the outcome of one or more of these cases could have a material adverse effect on the Company's financial condition and results of operations.

Guess is also a party to various other claims, complaints and other legal actions that have arisen i n the ordinary course of business from time to time. The Company believes that the outcome of such pending legal proceedings, in the aggregate, will not have a material adverse effect on the Company's financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 1996.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Since August 8, 1996, the Company's common stock has been listed on the New

York Stock Exchange under the symbol 'GES'. The following table sets forth, for the periods indicated, the high and low sales prices of the Company's common stock, as reported on the New York Stock Exchange Composite Tape.

YEAR ENDED DECEMBER 31, 1996	HIGH	LOW
Third Quarter (from August 8, 1996)	18 1/4	13 1/4
Fourth Quarter	14 3/8	11 5/8

YEAR ENDED DECEMBER 31, 1997	HIGH	LOW
First Quarter through March 21, 1997	14 5/8	10

On March 21, 1997, the closing sales price per share of the Company's common stock as reported on the New York Stock Exchange Composite Tape was 10 5/8. On March 19, 1997, there were 231 holders of record of the Company's common stock.

DIVIDEND POLICY

The Company intends to use its cash flow from operations in 1997 principally to finance the expansion of its retail stores and operations. Any future determination as to the payment of dividends will be at the discretion of the Company's Board of Directors and will depend upon the Company's results of operations, financial condition, contractual restrictions and other factors deemed relevant by the Board of Directors. The agreement governing the Company's revolving credit facility and the indenture pursuant to which the Senior Subordinated Notes were issued restrict the payment of dividends by the Company.

Since its initial public offering on August 8, 1996, the Company has not declared any dividends on its Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below have been derived from the audited consolidated financial statements of the Company and the related notes thereto. The following selected financial data should be read in conjunction with the Company's consolidated financial statements and the related notes included in Item 14 herein, and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEAR ENDED DECEMBER 31,				
	1996	1995	1994	1993	1992
	(IN THOUSANDS)				
STATEMENT OF EARNINGS DATA:					
Net revenue					
Product sales(1)	$ 497,874	$ 440,359	$ 507,462	$ 491,444	$ 491,978
Net royalties	53,288	46,374	40,350	28,780	20,788
Total net revenue	551,162	486,733	547,812	520,224	512,766
Cost of sales	298,631	262,142	291,989	260,409	274,920
Gross profit(2)	252,531	224,591	255,823	259,815	237,846
Selling, general and administrative expenses	150,877	141,663	138,016	145,351	127,873
Reorganization charge(3)	3,559	--	--	--	--
Earnings from operations	98,095	82,928	117,807	114,464	109,973
Non-operating income (expense)	(989)	(157)	322	2,552	2,413
Interest, net	(14,539)	(15,957)	(16,948)	(11,735)	(1,162)
Earnings before income taxes	82,567	66,814	101,181	105,281	111,224
Income taxes	15,826	2,895	3,540	1,810	2,856
Net earnings	$ 66,741	$ 63,919	$ 97,641	$ 103,471	$ 108,368
SUPPLEMENTAL STATEMENT OF EARNINGS DATA(4)					
Earnings before income taxes	$ 82,567	$ 66,814	$ 101,181	$ 105,281	$ 111,224
Income taxes	33,241	26,726	40,472	42,112	44,490

Net earnings	$ 49,326	$ 40,088	$ 60,709	$ 63,169	$ 66,734
Net earnings per share(5)	$ 1.18	$ .96			
Weighted average common shares outstanding(5)	41,906	41,675			

	AS OF DECEMBER 31,				
	1996	1995	1994	1993	1992
BALANCE SHEET DATA:					
Working capital	$ 76,821	$ 57,572	$ 83,127	$ 74,094	$ 114,732
Total assets	239,306	202,635	207,696	181,017	226,824
Notes payable and long-term debt	127,316	123,335	156,495	189,414	8,548
Net stockholders' equity (deficiency)(6)	34,928	10,997	373	(50,284)	167,390

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(1) Includes net revenue from (i) sales to discontinued wholesale accounts that did not meet the Company's merchandising standards of $.4 million, $3.8 million, $32.9 million, $51.1 million and $42.3 million for 1996, 1995, 1994, 1993 and 1992, respectively, and (ii) wholesale sales of discontinued product lines of $.3 million, $1.7 million, $5.3 million, $31.7 million and $82.6 million for 1996, 1995, 1994, 1993 and 1992, respectively.

(2) Certain reclassifications have been made for the periods 1992 through 1995 to conform to the 1996 presentation.

(3) In connection with the IPO, the Company recorded, during the second quarter of 1996, a reorganization charge for certain non recurring charges related to the write down of operating assets to be disposed of aggregating $3.6 million ($2.1 million on an after tax basis) relating to (i) the disposal of two remote warehouse and production facilities, resulting in a net book loss of $2.4 million and (ii) a net book loss of $1.2 million related to the disposal of one of the Company's aircraft.

(4) Reflects adjustments for Federal and state income taxes as if the Company had been taxed as a C corporation rather than an S corporation. Prior to the Company's Initial Public Offering ("IPO") in August 1996, the Company had elected to be taxed as an S corporation for Federal Income tax purposes. In certain states, the Company was taxed as an S corporation; in other states, the Company was taxed as a C corporation. Effective January 1, 1991, the Company elected to be treated as an S corporation for California tax purposes. As a result of the Company's IPO, all S corporation elections were terminated.

(5) 1995 reflects 32,681,819 shares of Common Stock outstanding prior to the IPO and the assumed issuance of 8,993,000 shares of Common Stock at the initial public offering price ($18.00 per share) to generate sufficient cash to pay a distribution of retained earnings to its then existing shareholders as part of the termination of its S corporation status in an amount equal to retained earnings as of December 31, 1995.

1996 reflects (i) 32,681,819 shares of Common Stock outstanding prior to the IPO and the assumed issuance of 8,730,000 shares of Common Stock at the initial public offering price ($18.00 per share) to generate sufficient cash to pay a distribution of retained earnings to its then existing shareholders as part of the termination of its S corporation status in an amount equal to retained earnings as of the IPO date and (ii) an average of 42,682,000 shares outstanding subsequent to the IPO, representing the actual shares outstanding.

(6) Stockholders' deficiency in 1993 resulted from the Company's repurchase of certain of the common stock owned by a former stockholder for $203.5 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

GENERAL

The Company derives its net revenue from the sale of Guess men's and women's apparel worldwide to wholesale customers and distributors, from the sale of Guess men's and women's apparel and its licensees' products through the Company's network of retail and factory outlet stores primarily in the United States and from net royalties from worldwide licensing activities.

PRO FORMA RESULTS OF OPERATIONS

The following table sets forth pro forma operating results for the periods indicated. Pro forma operating results reflect adjustments to historical operating results for (i) the elimination of salaries and bonuses paid to Maurice, Paul and Armand Marciano ("the Principal Executive Officers") in excess of an aggregate of $4.9 million per year (the estimated aggregate salaries and bonuses to be paid to the Principal Executive Officers under their respective employment agreements which became effective concurrently with the consummation of the IPO), resulting in a decrease in compensation expense of $3.5 million, $2.4 million and $3.3 million for 1996, 1995 and 1994, respectively, (ii) the decrease in depreciation and operating costs of $1.2 million, $2.6 million and $3.0 million for 1996, 1995 and 1994, respectively, associated with an aircraft owned by the Company, which aircraft was sold in contemplation of the IPO, (iii) the elimination of the minority interest in Guess Europe, B.V. ("GEBV") and Guess Italia, S.r.1. ("Guess Italia") through the merger of Marciano International with and into the Company in connection with the IPO, resulting in the inclusion in net earnings of $323,000, $274,000 and $280,000 for 1996, 1995

and 1994, respectively, which amounts had previously been recorded as minority interest and (iv) adjustments for Federal and state income taxes as if the Company had been taxed as a C corporation rather than an S corporation throughout the periods presented.

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Net revenue:			
Product sales	$ 497,874	$ 440,359	$ 507,462
Net royalties	53,288	46,374	40,350
Total net revenue	551,162	486,733	547,812
Cost of sales	298,631	262,142	291,989
Gross profit	252,531	224,591	255,823
Selling, general and administrative expenses	146,186	136,606	131,711
Earnings from operations before reorganization charge	106,345	87,985	124,112
Reorganization charge	3,559	--	--
Earnings from operations after reorganization charge	102,786	87,985	124,112
Interest expense, net	(14,539)	(15,957)	(16,948)
Non-operating income (expense), net	(666)	117	42
Earnings before income taxes	87,581	72,145	107,206
Pro forma income taxes	35,257	28,858	42,882
Pro forma net earnings	$ 52,324	$ 43,287	$ 64,324

The following table sets forth pro forma operating results as a percentage of net revenue for the periods indicated.

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Net revenue:			
Product sales	90.3%	90.5%	92.6%
Net royalties	9.7	9.5	7.4
Total net revenue	100.0	100.0	100.0
Cost of sales	54.2	53.9	53.3
Gross profit	45.8	46.1	46.7
Selling, general and administrative expenses	26.5	28.0	24.0
Earnings from operations before reorganization charge	19.3	18.1	22.7
Reorganization charge	0.6	--	--
Earnings from operations after reorganization charge	18.6	18.1	22.7
Interest expense, net	(2.6)	(3.3)	(3.1)
Non-operating income, net	(0.1)	0.0	0.0
Earnings before income taxes	15.9	14.8	19.6
Pro forma income taxes	6.4	5.9	7.9
Pro forma net earnings	9.5%	8.9%	11.7%

YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995.

NET REVENUE. Net revenue increased $64.5 million or 13.2% to $551.2 million in the year ended December 31, 1996 from $486.7 million in the year ended December 31, 1995. Net revenue from wholesale operations increased $17.2 million or 6.3% to $288.1 million from $270.9 million, due principally to an

increase in sales outside the United States of $31.5 million, partially offset by a $14.3 million decline in domestic wholesale sales. The Company's domestic net sales declined primarily as a result of increased competition in branded basic denim apparel. Net revenue from retail operations increased $40.4 million or 23.8% to $209.8 million from $169.4 million, primarily attributable to an increase of 9.3% in comparable store net revenue and from volume generated by new store openings. The increase in comparable store net revenue was primarily attributable to a more favorable merchandise mix and the implementation of improved inventory management systems. Net royalties increased 14.9% in the year ended December 31, 1996 to $53.3 million from $46.4 million in the year ended December 31, 1995. Net revenue from international operations comprised 12.1% and 6.9% of the Company's net revenue during 1996 and 1995, respectively.

GROSS PROFIT. Gross profit increased 12.4% to $252.5 million in the year ended December 31, 1996 from $224.6 million in the year ended December 31, 1995. The increase in gross profit resulted from increased net royalties, as well as increased net revenue from product sales. Gross profit from product sales increased 11.8% to $199.2 million in the year ended December 31, 1996 from $178.2 million in the year ended December 31, 1995. Gross profit as a percentage of net revenue decreased to 45.8% in the year ended December 31, 1996 as compared to 46.1% in the year ended December 31, 1995. Gross profit from product sales as a percentage of net revenue from product sales decreased to 40.0% in the year ended December 31, 1996 as compared to 40.5% in the year ended December 31, 1995, which included a provision of $3.9 million for store closing expenses. Without this provision, gross profit from product sales as a percentage of net revenue from product sales would have decreased to 40.0% from 41.4%. The decline was primarily the result of the growth in net revenue derived from international operations which generally carry lower gross profit margins, increased occupancy costs associated with stores opened in 1995 and lower gross margin rates experienced in the Retail Division resulting from an increase of employee sales at lower gross margins.

SG&A EXPENSES. Selling, general and administrative ("SG&A") expenses increased 6.5% in the year ended December 31, 1996 to $150.9 million, or 27.4% of net revenue, from $141.7 million, or 29.1% of net revenue, in the year ended December 31, 1995. On a pro forma basis, SG&A expenses would have increased 7.0% in the year ended December 31, 1996 to $146.2 million, or 26.5% of net revenue, from $136.6 million, or 28.1% of net revenue, in the year ended December 31,

1995. The increase in SG&A expense was primarily the result of increased store expenses related to the expansion of the retail operation, increased administrative expenses related to the expansion of the international operations and a non-recurring executive bonus of $1.0 million. The decrease in SG&A expenses as a percentage of net revenue was the result of fixed expenses being spread over a larger revenue base in the 1996 period.

EARNINGS FROM OPERATIONS BEFORE REORGANIZATION CHARGE. Earnings from operations, before the Reorganization Charge described below, increased 22.6% to $101.7 million, or 18.4% of net revenue in the year ended December 31, 1996, from $82.9 million, or 17.0% of net revenue, in the year ended December 31, 1995. On a pro forma basis, earnings from operations before the Reorganization Charge would have increased 20.9% in the year ended December 31, 1996 to $106.3 million, or 19.3% of net revenue, from $88.0 million, or 18.1% of net revenue, in the year ended December 31, 1995. This increase resulted primarily from the increase in net revenue.

REORGANIZATION CHARGE. In anticipation of the IPO, in the second quarter of 1996, the Company recorded reserves for certain non-recurring charges related to the write-downs of operating assets to be disposed of $3.6 million for: (i) disposal of two remote warehouse and production facilities resulting in a net book loss of $2.4 million, and (ii) the net book loss of $1.2 million incurred by the Company in connection with the sale of one of its aircraft. The above charges are based upon the book value of the related assets as of June 30, 1996. The Company intends to relocate the warehouse and production operations located at the remote facilities to its central facility in Los Angeles in an effort to centralize its operations and improve operating efficiencies.

EARNINGS FROM OPERATIONS AFTER REORGANIZATION CHARGE. Earnings from operations, including the Reorganization Charge described above, increased 18.3% to $98.1 million, or 17.8% of net revenue in the year ended December 31, 1996, from $82.9 million, or 17.0% of net revenue, in the year ended December 31, 1995. On a pro forma basis, earnings from operations including the Reorganization Charge would have increased 16.8% in the year ended December 31, 1996 to $102.8 million, or 18.6% of net revenue, from $88.0 million, or 18.1% of net revenue, in the year ended December 31, 1995. This increase resulted primarily from the increase in net revenue.

INTEREST EXPENSE, NET. Net interest expense decreased 8.9% to $14.5 million in the year ended December 31, 1996 from $16.0 million in the year ended December 31, 1995. This decrease resulted primarily from lower outstanding debt, as well as lower interest rates. For the year ended December 31, 1996, the average debt balance was $144.4 million, with an average effective interest rate of 9.4%. For the year ended December 31, 1995, the average debt balance was $156.6 million, with an average effective interest rate of 9.6%.

INCOME TAXES. Prior to the IPO, for Federal and certain state income tax purposes, the Company elected to be treated as an S corporation and therefore generally was not subject to income tax on its earnings. The Company's income taxes, which represent state income taxes and foreign taxes, plus Federal taxes after the IPO, were $15.8 million and $2.9 million in the years ended December 31, 1996 and December 31, 1995, respectively. The Company's S corporation status was terminated in connection with the IPO and, therefore, the Company is now fully subject to Federal, state and foreign income taxes. On a pro forma basis, income taxes would have been $35.3 million and $28.9 million in the years ended December 31, 1996 and December 31, 1995, respectively.

NET EARNINGS. Net earnings increased to $66.7 million in the year ended December 31, 1996, from $63.9 million in the year ended December 31, 1995. On a pro forma basis, net earnings would have increased to $52.3 million in the year ended December 31, 1996, from $43.3 million in the year ended December 31, 1995. Excluding the Reorganization Charge, pro forma net earnings would have increased by 25.8% to $54.4 million, or 9.9% of net revenue, in the year ended December 31, 1996 from $43.3 million, or 8.9% of net revenue, in the year ended December 31, 1995.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

NET REVENUE. Net revenue decreased $61.1 million or 11.1% to $486.7 million in 1995 from $547.8 million in 1994. Net revenue from wholesale operations decreased $87.2 million to $270.9 million from $358.1 million, including a $29.1 million decline due to closing certain accounts, and a $3.6 million decline due to the licensing out of certain apparel lines. Excluding these items, net revenue from wholesale operations would have decreased $54.5 million. The principal reasons for the decrease were a $49.3 million decline in domestic sales of men's and women's apparel and a $15.5 million decrease in off-price revenue (which represents net revenue from the liquidation of discontinued merchandise which carries lower margins), partially offset by increased sales outside the United States to international distributors of $10.3 million. The Company's domestic net sales declined during this period as a result of increased competition in branded denim apparel, the sluggish retail environment, the consolidation taking place among department store retailers and financial difficulties experienced by certain of the Company's wholesale customers. Net revenue from retail operations increased $20.1 million to $169.4 million from $149.3 million. This net increase reflects a 39.6% increase in Guess retail store net revenue primarily resulting from new store openings, somewhat offset by a 7.4% decline in comparable store net revenue, primarily attributable to the continued sluggish market conditions affecting the factory outlet stores. Net royalties increased 14.9% in 1995 to $46.4 million from $40.4 million in 1994. This increase was attributable to the continued growth in existing licensees' businesses as well as the addition of new licensees. Revenue from international operations (including net royalties from international licensees) comprised 6.9% and 3.7% of the Company's net revenue during 1995 and 1994, respectively.

GROSS PROFIT. Gross profit decreased 12.2% to $224.6 million in 1995 from $255.8 million in 1994. Gross profit as a percentage of net revenue decreased to 46.1% in 1995 from 46.7% in 1994. The decrease in gross profit was attributable to a $67.1 million decrease in net revenue from product sales, partially offset by a $6.0 million increase in net royalties. Gross profit from product sales decreased 17.3% to $178.2 million in 1995 from $215.5 million in 1994. During the second half of 1995, the Company recorded a provision of $3.9 million for anticipated store closing expenses. Without the $3.9 million store closure provision, gross margin would have been 46.9% of net revenue in 1995 as compared with 46.7% of net revenue in 1994, respectively.

SG&A EXPENSES. SG&A expenses increased 2.6% to $141.7 million, or 29.1% of net revenue, in 1995, from $138.0 million, or 25.2% of net revenue, in 1994. On a pro forma basis, SG&A expenses would have increased 3.7% in 1995 to $136.6 million, or 28.0% of net revenue, from $131.7 million, or 24.0% of net revenue, in 1994. This increase was primarily the result of the continued expansion of the retail division, an increase in advertising expenses and increased expenses relating to the installation and remodeling of twice as many shop-in-shops as were installed or remodeled in 1994. These increases were partially offset by reduced expenses resulting from cost containment efforts. The increase in SG&A expenses as a percentage of net revenue was the result of the above mentioned advertising and shop-in-shop expenditures and fixed expenses being spread over a smaller revenue base during the 1995 period.

EARNINGS FROM OPERATIONS. Earnings from operations decreased 29.6% to $82.9 million, or 17.0% of net revenue in 1995, from $117.8 million, or 21.5% of net revenue, in 1994. On a pro forma basis, earnings from operations would have decreased 29.1% in 1995 to $88.0 million, or 18.1% of net revenue, from $124.1 million, or 22.7% of net revenue, in 1994. This decline primarily resulted from a decrease in net revenue, which was partially offset by higher net royalty income.

INTEREST EXPENSE, NET. Net interest expense decreased 5.8% to $16.0 million for 1995 from $16.9 million in 1994. This decrease resulted from lower debt in 1995 which more than offset the effect of higher interest rates. For 1995, the average debt balance was $156.6 million, with an average effective interest rate of 9.6%. For 1994, the average debt balance was $182.9 million, with an average effective interest rate of 8.6%.

INCOME TAXES. Income taxes were $2.9 million and $3.5 million in 1995 and 1994, respectively. On a pro forma basis, income taxes would have been $28.9 million and $42.9 million in 1995 and 1994, respectively.

NET EARNINGS. Net earnings decreased 34.5% to $63.9 million, or 13.1% of net revenue, in 1995, from $97.6 million, or 17.8% of net revenue, in 1994. On a pro forma basis, net earnings would have decreased 32.7% to $43.3 million, or 8.9% of net revenue, in 1995, from $64.3 million, or 11.7% of net revenue, in 1994.

LIQUIDITY AND CAPITAL RESOURCES

The Company has relied primarily upon internally generated funds, trade credit and bank borrowings to finance its operations and expansion and to make periodic distributions to its stockholders. Since the Company has terminated its S corporation status, it no longer intends to make periodic distributions to its stockholders. As of December 31, 1996 the Company had working capital of $76.8 million, compared to $57.6 million at December 31, 1995. The $19.2 million increase in working capital primarily resulted from a $9.9 million increase in net receivables, a $6.6 million increase in inventories and a $6.6 million increase in current deferred tax assets, partially offset by a $5.2 million increase in payables and accrued liabilities. The increase in inventory and receivables relates to new product lines being developed and stronger sales recorded in the fourth quarter of 1996 compared to the prior year.

The Company's Credit Agreement provides for a $100.0 million revolving credit facility which includes a $20.0 million sublimit for letters of credit. As of December 31, 1996, the Company had $16.0 million in

outstanding borrowings under the revolving credit facility and outstanding letters of credit of $8.6 million. As of December 31, 1996, the Company had $75.4 million available for future borrowings under such facility. The revolving credit facility will expire in December 1999. In addition to the revolving credit facility, the Company also has a $25.0 million letter of credit facility. As of December 31, 1996, the Company had $9.6 million outstanding under this facility.

Capital expenditures, net of lease incentives granted, totaled $20.2 million for 1996 and $21.7 million for 1995. The Company estimates that its capital expenditures for 1997 will be approximately $38.0 million, primarily for the expansion of its retail stores and operations.

The Company anticipates that it will be able to satisfy its ongoing cash requirements through 1997, including retail and international expansion plans, and interest payments on the Company's Senior Subordinated Notes, primarily with cash flow from operations, supplemented, if necessary, by borrowings under its revolving Credit Agreement.

IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

Various forward-looking statements have been made in this Form 10-K. Forward-looking statements may also be in the registrant's other reports filed under the Securities Exchange Act of 1934, in its press releases and in other documents. In addition, from time to time, the registrant through its management may make oral forward-looking statements.

Forward-looking statements generally refer to future plans and performance, and are identified by the words "believe", "expect", "anticipate", "optimistic", "intend", "aim", "will" or similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of which they are made. The registrant undertakes no obligation to update publicly or revise any forward-looking statements.

Important factors that could cause actual results to differ materially from the registrant's forward-looking statements, as well as affect the registrant's

ability to achieve its financial and other goals, include, but are not limited to, the following:

The Company's inability to identify and respond appropriately to changing consumer demands and fashion trends could adversely affect consumer acceptance of Guess products.

A decision by the controlling owner of a group of department stores or any other significant customer to decrease the amount purchased from the Company or to cease carrying Guess products could have a material adverse effect on the Company's financial condition and results of operations.

The inability of the Company to control the quality, focus, image or distribution of its licensed products could impact consumer receptivity to the Company's products generally and, therefore, adversely affect the Company's financial condition and results of operations.

The failure of the Company to continue to enhance operating control systems or unexpected difficulties encountered during expansion could adversely affect the Company's financial condition and results of operations.

Factors beyond the Company's control may affect the Company's ability to expand its network of retail stores, including general economic and business conditions affecting consumer spending.

A general failure by the Company to maintain and control its existing distribution and licensing arrangements or to procure additional distribution and licensing relationships could adversely affect the Company's growth strategy, which could adversely affect the Company's financial condition and results of operations.

The extended loss of the services of one or more of the Principal Executive Officers could have a material adverse effect on the Company's operations.

The Company's operations may be affected adversely by political instability resulting in the disruption of trade with the countries in which the Company's contractors, suppliers or customers are located, the imposition of additional regulations relating to imports, the imposition of additional duties, taxes and other charges on imports, significant fluctuations in the value of the dollar against foreign currencies or restrictions on the transfer of funds. Also, a substantial increase in customs duties could have an adverse effect on the Company's financial condition or results of operations.

The inability of a manufacturer to ship the Company's products in a timely manner or to meet the Company's quality standards could adversely affect the Company's ability to deliver products to its customers in a timely manner.

No assurance can be given that others will not assert rights in, or ownership of, trademarks and other proprietary rights of Guess. In addition, the laws of certain foreign countries do not protect proprietary rights to the same extent as do the laws of the United States.

SEASONALITY

The Company's business is impacted by the general seasonal trends that are characteristic of the apparel and retail industries. The Company's wholesale operations generally experience stronger performance in the first and third quarters, while retail operations are generally stronger in the third and fourth quarters. As the timing of the shipment of products may vary from year to year, the result for any particular quarter may not be indicative of results for the full year. The Company has not had significant overhead and other costs generally associated with large seasonal variations.

INFLATION

The Company does not believe that the relatively moderate rates of inflation experienced in the United States over the last three years have had a significant effect on its net revenue or profitability. Although higher rates of inflation have been experienced in a number of foreign countries in which the Company's products are manufactured, the Company does not believe that they have had a material effect on the Company's net revenue or profitability.

EXCHANGE RATES

The Company receives United States dollars for substantially all of its product sales and its licensing revenues. Inventory purchases from offshore contract manufacturers are primarily denominated in United States dollars; however, purchase prices for the Company's products may be impacted by fluctuations in the exchange rate between the United States dollar and the local currencies of the contract manufacturers, which may have the effect of increasing the Company's cost of goods in the future. In addition, royalties received from the Company's international licensees are subject to foreign currency translation fluctations as a result of the net sales of the licensee being denominated in local currency and royalties being paid to the Company in United States dollars. During the last three fiscal years, exchange rate fluctuations have not had a material impact on the Company's inventory costs. The Company currently does not engage in hedging activities with respect to such exchange rate risk.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 121 ("SFAS No. 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of," in March 1995 which is effective for fiscal years beginning after December 15, 1995. SFAS No. 121 establishes accounting standards for the impairment of Long-Lived assets, certain identifiable intangibles and goodwill related to these assets and certain identifiable intangibles to be disposed of. The Company adopted the provisions of SFAS No. 121 effective January 1, 1996 and has, accordingly, recorded a write-down aggregating $2.4 million in the second quarter of 1996

related to certain operating assets to be disposed of and is included as a component of the $3.6 million Reorganization Charge in the Company's statement of earnings. The Company does not anticipate that SFAS No. 121 will have a material impact on its financial statements. See note 15 to the Company's consolidated financial statements.

In October 1995, the FASB issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation ("SFAS 123"). SFAS 123 established a fair value-based method of accounting for compensation cost related to stock options and other forms of stock-based compensation plans. However, SFAS 123 allows an entity to continue to measure compensation costs using the principles of Accounting Principles Board Pronouncement 25 if certain pro forma disclosures are made. SFAS 123 is effective for fiscal years beginning after December 15, 1995. Effective January 1, 1996, the Company adopted the provisions for pro forma disclosure requirements of SFAS 123 and anticipates that SFAS 123 will not have a material impact upon its financial statements. See note 13 to the Company's consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated herein by reference to the Financial Statements
and Supplementary Data listed in Item 14 of Part IV of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Information with respect to Directors may be found under the caption "Directors and Executive Officers" on pages 6 and 7 of the Company's Proxy Statement dated March 31, 1997, for the 1997 Annual Meeting of Shareholders to be held May 28, 1997 (the "Proxy Statement"). Such information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION AND OTHER INFORMATION

The information in the Proxy Statement set forth under the caption "Executive Compensation" on page 8 is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the caption "Security Ownership and Certain Beneficial Owners and Management" on page 3 of the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under the caption "Certain Relationships and Related Transactions" on page 4 of the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K

(a) Documents Filed with Report

(1) Consolidated Financial Statements

The financial statements listed on the accompanying Index to Consolidated Financial Statements and Financial Statement Schedule are filed as part of this report.

(2) Consolidated Financial Statement Schedule

The financial statement schedule listed on the accompanying Index to Consolidated Financial Statements and Financial Statement Schedule are filed as part of this report.

(3) Exhibits

The exhibits listed on the accompanying Index to Exhibits are filed as part of this report.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the last quarter of the fiscal year ended December 31, 1996.

GUESS ?, INC.

FORM 10-K

ITEMS 8, 14(A) AND 14 (D)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

GUESS ?, INC.

FORM 10-K

ITEMS 8, 14(A) AND 14 (D)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Guess ?, Inc.:

We have audited the accompanying consolidated financial statements of Guess ?, Inc. and Subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule, as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Guess ?, Inc. and Subsidiaries as of December 31, 1996 and 1995 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1996 in conformity with generally accepted accounting principles. Also in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG Peat Marwick LLP

Los Angeles, California
February 24, 1997

GUESS ?, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1996 AND 1995
(IN THOUSANDS, EXCEPT SHARE DATA)

	1996	1995
ASSETS		
Current assets:		
Cash	$ 8,800	$ 6,417
Short-term investments	4,401	0
Receivables:		
Trade receivables, net of reserves aggregating $9,737 and $10,849 at December 31, 1996 and 1995, respectively	27,107	23,033
Royalties	15,613	9,975
Other	4,042	3,893
	46,762	36,901
Inventories (note 3)	79,489	72,889
Prepaid expenses	5,249	5,557
Deferred tax assets (note 6)	6,614	0
Total current assets	151,315	121,764
Property and equipment, at cost, net of accumulated depreciation and amortization (note 4)	64,302	68,199
Long-term investments (note 2)	3,106	3,394
Other assets, at cost, net of accumulated amortization of $421 and $1,800 at December 31, 1996 and 1995, respectively (note 14)	20,583	9,278
	$ 239,306	$ 202,635
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of notes payable and long-term debt (note 5)	$ 6,099	$ 4,123
Accounts payable	39,285	40,701
Accrued expenses	24,935	18,332
Income taxes payable (note 6)	4,175	1,036
Total current liabilities	74,494	64,192
Notes payable and long-term debt, net of current installments (note 5)	121,217	119,212
Other liabilities	8,667	8,234
	204,378	191,638
Stockholders' equity (note 7):		
Preferred stock, $.01 par value. Authorized 10,000,000 shares; no shares issued and outstanding	--	--
Common stock, $.01 par value. Authorized 150,000,000 shares; issued 62,712,611 and 52,712,611 shares at 1996 and 1995, outstanding 42,681,819 and 32,681,819 shares actual, respectively, 20,030,792 shares held in Treasury	135	35
Paid-in capital	155,591	181
Retained earnings	29,921	161,567
Foreign currency translation adjustment	57	(10)
Treasury stock, 20,030,792 shares repurchased	(150,776)	(150,776)
Net stockholders' equity	34,928	10,997
	$ 239,306	$ 202,635
Commitments and contingencies (note 9)		

See accompanying notes to consolidated financial statements

GUESS ?, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	1996	1995	1994
Net revenue			
Product sales	$ 497,874	$ 440,359	$ 507,462
Net royalties	53,288	46,374	40,350
	551,162	486,733	547,812

Cost of sales	298,631	262,142	291,989
Gross profit	252,531	224,591	255,823
Selling, general and administrative expenses	150,877	141,663	138,016
Reorganization charge (note 15)	3,559	0	0
Earnings from operations	98,095	82,928	117,807
Non-operating income (expense):			
Interest, net	(14,539)	(15,957)	(16,948)
Other, net	(989)	(157)	322
	(15,528)	(16,114)	(16,626)
Earnings before income taxes	82,567	66,814	101,181
Income taxes (note 6)	15,826	2,895	3,540
Net earnings	$ 66,741	$ 63,919	$ 97,641
SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION (NOTE 1):			
Earnings before taxes, as presented	$ 82,567	$ 66,814	$ 101,181
Pro forma provision for income taxes (unaudited)(note 6)	33,241	26,726	40,472
Pro forma net earnings (unaudited)	$ 49,326	$ 40,088	$ 60,709
Pro forma earnings per share	$ 1.18	$ 0.96	
Weighted number of common shares outstanding	41,906	41,675	

See accompanying notes to consolidated financial statements

GUESS ?, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(IN THOUSANDS)

	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANS. ADJ.	TREASURY STOCK	TOTAL
Balance at December 31, 1993	$ 35	$ 181	$ 100,307	$ (31)	$ (150,776)	$ (50,284)
Net earnings	0	0	97,641	0	0	97,641
Stockholder distributions	0	0	(47,000)	0	0	(47,000)
Foreign currency translation adjustment	0	0	0	16	0	16
Balance at December 31, 1994	35	181	150,948	(15)	(150,776)	373
Net earnings	0	0	63,919	0	0	63,919
Stockholder distributions	0	0	(53,300)	0	0	(53,300)
Foreign currency translation adjustment	0	0	0	5	0	5
Balance at December 31, 1995	35	181	161,567	(10)	(150,776)	10,997
Net earnings	0	0	66,741	0	0	66,741
Stockholder distributions	0	0	(224,600)	0	0	(224,600)
Issuance of common stock	100	169,200	0	0	0	169,300
Establishment of deferred tax assets	0	0	10,961	0	0	0
Reclassification of stockholder distributions in excess of retained earnings	0	(15,252)	15,252	0	0	10,961
Net equity adjustments resulting from Marciano International merger	0	1,462	0	0	0	1,462
Foreign currency translation adjustment	0	0	0	67	0	67
Balance at December 31, 1996	$ 135	$ 155,591	$ 29,921	$ 57	$ (150,776)	$ 34,928

See accompanying notes to consolidated financial statements

GUESS ?, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(IN THOUSANDS)

	1996	1995	1994
Cash flows from operating activities			
Net earnings	$ 66,741	$ 63,919	$ 97,641
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	16,233	14,277	12,070
Amortization of deferred charges	804	1,373	515
Loss on disposition of property and equipment	2,235	814	726
Foreign currency translation adjustment	42	(14)	(5)
Contributions from minority interest	336	22	24
Equity method losses (earnings)	666	(117)	(72)
(Increase) decrease in:			
Receivables	(8,811)	1,599	(14,628)
Inventories	(6,529)	10,884	(3,353)
Prepaids and other current assets	(1,949)	(720)	(1,516)
Other assets	(411)	1,858	180
Increase (decrease) in:			
Accounts payable	(1,447)	10,861	8,043
Accrued expenses	6,058	3,658	(1,337)
Income taxes payable	2,867	22	795
Net cash provided by operating activities	76,835	108,436	99,083
Cash flows from investing activities			
Net (purchase of) proceeds from the sale of short-term investments	(4,401)	0	5,000
Purchases of property and equipment	(21,110)	(23,757)	(19,779)
Proceeds from the disposition of property and equipment	6,640	192	172
Lease incentives granted	886	2,015	1,503
Acquisition of license	(5,000)	0	0
Purchase of long-term investments	(173)	(23)	(3,136)
Net cash used by investing activities	(23,158)	(21,573)	(16,240)
Cash flows from financing activities			
Proceeds from notes payable and long-term debt	176,289	131,193	222,040
Repayment of notes payable and long-term debt	(174,308)	(164,353)	(254,959)
Proceeds from issuance of common stock	115,300	0	0
Repayments of S distribution notes	(129,000)	0	0
Distributions to stockholders	(39,600)	(53,300)	(47,000)
Net cash used by financing activities	(51,319)	(86,460)	(79,919)
Effect of exchange rates on cash	25	20	20
Net increase in cash	2,383	423	2,944
Cash at beginning of period	6,417	5,994	3,050
Cash at end of period	$ 8,800	$ 6,417	$ 5,994
Supplemental disclosures			
Cash paid during the period for:			
Interest	$ 14,246	$ 15,396	$ 16,380
Income taxes	14,703	1,925	2,879

During 1996, in connection with the S corporation distribution, the Company issued 3,000,000 shares of Common Stock to the Principal Stockholders aggregating $54.0 million.

See accompanying notes to financial statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Guess ?, Inc. (the "Company" or "Guess") designs, develops, and markets quality contemporary jeans and other casual wear for men and women. The Company distributes its products through major department stores, specialty retailers, foreign distributors and its network of Company-owned and-operated retail and factory outlet stores.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Guess ?, Inc. and its wholly-owned foreign subsidiary, Guess Europe, B.V., a Netherlands corporation ("GEBV"). GEBV holds two wholly-owned subsidiaries, Ranche, Limited, a Hong Kong corporation ("Ranche") and Guess Italia, S.r.l., an Italian corporation ("Guess Italia"). Accordingly, all references herein to "Guess ?,

Inc." include the consolidated results of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out) or market.

TRADE AND ROYALTY RECEIVABLES

The Company extends trade credit to its customers in the ordinary course of business. None of the receivables due from customers at December 31, 1996 and 1995 involved factored accounts or other contingencies relating to third-party risk, except to the extent that the Company has chosen to insure certain accounts from risk of loss under a catastrophic loss policy.

REVENUE RECOGNITION

The Company recognizes revenue from the sale of merchandise upon shipment. Royalty income is based upon a percentage, as defined in the underlying agreement, of the licensees' net revenue. The Company accrues for estimated sales returns and allowances in the period in which the related revenue is recognized.

SIGNIFICANT CUSTOMER

An individual customer aggregating in excess of 10% of net revenue for the years ended December 31, 1995 and 1994 is summarized as follows:

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Customer A	8.6%	11.0%	10.3%

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPRECIATION AND AMORTIZATION

Depreciation and amortization of property and equipment are provided using the straight-line method over the following useful lives:

Building and building improvements	18 to 31 years
Land improvements	5 years
Machinery and equipment	3 to 5 years
Corporate aircraft	5 to 10 years
Corporate vehicles	3 years

Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease. Construction in progress is not depreciated until the related asset is completed.

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is amortized on a straight line basis over the expected

periods to be benefited, generally 15 years.

FOREIGN CURRENCY TRANSLATION

In accordance with the Financial Accounting Standards Board (the "FASB") Statement No. 52, balance sheet accounts of the Company's foreign operations are translated from foreign currencies into U.S. dollars at year end or historical rates while income and expenses are translated at the weighted average exchange rates for the year. The related translation adjustments are reflected as a foreign currency translation adjustment in the consolidated balance sheet.

INCOME TAXES

Prior to the Company's Initial Public Offering ("IPO")in August 1996, the Company had elected to be taxed as an S corporation for Federal income tax purposes. In certain states, the Company was taxed as an S corporation; in other states, the Company was taxed as a C corporation. Effective January 1, 1991, the Company elected to be treated as an S corporation for California tax purposes. As a result of the Company's IPO, all S corporation elections were terminated.

In February, 1992, the FASB issued Statement No. 109, "Accounting for Income Taxes." One of the provisions of Statement No. 109 enables companies to record deferred tax assets for the future benefit to be derived from certain deductible temporary differences. The Company has adopted the provisions of Statement No. 109 effective January 1, 1993; however, as differences giving rise to deferred tax assets were immaterial due to the Company's S corporation election, the Company did not record any deferred tax assets at December 31, 1994 or 1995. As a result of the Company's IPO and subsequent S corporation election termination, differences in the book and tax bases of certain assets and liabilities have resulted in the recording of deferred tax assets aggregating and $13.2 million at December 31, 1996.

RECENT ACCOUNTING PRONOUNCEMENTS

The FASB issued statements of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived assets and for Long-Lived Assets to be Disposed of," in March 1995 which is effective for fiscal years beginning after December 15, 1995. SFAS 121 establishes accounting

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to these assets and certain identifiable intangibles to be disposed of. The Company adopted the provisions of SFAS 121 in 1996 and recorded a write-down of $2.4 million pursuant to certain buildings being disposed of. See note 15.

In October 1995, the FASB issued statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 established a fair value-based method of accounting for compensation cost related to stock options and other forms of stock-based compensation plans. However, SFAS 123 allows an entity to continue to measure compensation costs using the principles of Accounting Principles Board Pronouncement 25 ("APB Opinion No. 25") if certain pro forma disclosures are made. SFAS 123 is effective for years beginning after December 15, 1995. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS 123.

PRO FORMA NET EARNINGS

Pro forma net earnings represent the results of operations adjusted to

reflect a provision for income taxes on historical earnings before income taxes, which gives effect to the change in the Company's income tax status to a C corporation as a result of the public sale of its common stock. Following the Company's IPO, and the subsequent termination of its S corporation status on August 12, 1996, the Company recorded an increase to additional paid in capital resulting from the establishment of net deferred tax assets aggregating $11.0 million, representing the difference between financial reporting and tax bases of assets and liabilities, using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The principal difference between the pro forma income tax rate and the Federal statutory rate of 35% relates primarily to state income taxes.

Pro forma net earnings per share has been computed by dividing pro forma net earnings by the weighted average number of shares of common stock outstanding during the period. Options to purchase common stock are included in the calculation as common stock equivalents provided that their impact is not anti-dilutive.

CREDIT RISK

The Company sells its merchandise principally to customers throughout the United States and Europe. Management performs regular evaluations concerning the ability of its customers to satisfy their obligations and records a provision for doubtful accounts based upon these evaluations. The Company's credit losses for the periods presented are insignificant and have not exceeded management's estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Company's financial instruments, which principally include cash, short and long-term investments, trade receivables, accounts payable and accrued expenses, approximates fair value due to the relatively short maturity of such instruments.

The fair value of the Company's debt instruments are based on the amount of future cash flows associated with each instrument discounted using the Company's borrowing rate. At December 31, 1996 and 1995, the carrying value of all financial instruments was not materially different from fair value.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

RECLASSIFICATIONS

Certain reclassifications have been made to the 1994 and 1995 financial statements to conform to the 1996 presentation.

(2) INVESTMENTS

Long-term investments consist of certain debt and equity securities aggregating $3,106,000 and $3,394,000 at December 31, 1996 and 1995, respectively.

(3) INVENTORIES

Inventories are summarized as follows:

	1996	1995
	(IN THOUSANDS)	
Raw materials	$ 12,563	$ 9,788
Work in process	12,576	11,264
Finished goods	54,350	51,837
	$ 79,489	$ 72,889

(4) PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	1996	1995
	(IN THOUSANDS)	
Land and land improvements	$ 5,729	$ 5,729
Building and building improvements	8,462	8,446
Leasehold improvements	42,646	36,059
Machinery and equipment	58,477	48,279
Corporate aircraft	5,160	19,138
Construction in progress	806	2,269
	121,280	119,920
Less accumulated depreciation and amortization	56,978	51,721
	$ 64,302	$ 68,199

(4) PROPERTY AND EQUIPMENT (CONTINUED)

Construction in progress at December 31, 1996 and 1995 represents the costs associated with the construction of buildings and improvements used in the Company's operations and other capitalizable expenses in progress.

(5) NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt is summarized as follows:

	1996	1995
	(IN THOUSANDS)	
9 1/2% Senior Subordinated Notes due 2003	$ 105,000	$ 105,000
Advances under a secured $100,000,000 long-term line of credit with a syndicate of banks; interest is variable, with average annual effective rate of 7.94% in 1996, and payable monthly	16,000	13,000
Note payable, secured by corporate aircraft, bearing interest at 8.23% per year, payable in quarterly installments of $221,003 through March 1998	1,040	1,799
Other, including capitalized leases	5,276	3,536
	127,316	123,335
Less current installments	6,099	4,123
	$ 121,217	$ 119,212

Aggregate maturities of notes payable and long-term debt are summarized as follows:

YEAR ENDING DECEMBER 31, (IN THOUSANDS):	
1996	$ 6,099
1997	217
1998	0
1999	16,000
2000	0
Thereafter	105,000
	$ 127,316

During 1995, the Company repurchased $10.0 million of the Senior Subordinated Notes. Additionally, the related deferred financing costs of $281,000 were written off to interest expense during 1995.

The Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, on or after August 15, 1998, at various redemption prices.

(6) INCOME TAXES

The provision for income taxes, including the pro forma provision for income taxes giving effect as if the Company had been a C corporation throughout all of 1996, is summarized as follows:

	YEAR ENDED DECEMBER 31,	
	1996	1995
	(IN THOUSANDS)	
Federal:		
Current	$ 33,686	$ 26,112
Deferred	(7,449)	(4,572)
State:		
Current	7,339	5,559
Deferred	(693)	(373)
Foreign:		
Current	358	0
	$ 33,241	$ 26,726

The Company's statement of earnings includes a provision for income taxes of $15.8 million, which principally represents the Federal and state income taxes recorded from the date of the S corporation election termination, August 12, 1996, through December 31, 1996.

The actual pro forma provision for income taxes differs from the expected income taxes obtained by applying the statutory Federal income tax rate to

earnings before income taxes as follows:

	YEAR ENDED DECEMBER 31, 1996
	(IN THOUSANDS)
Computed "expected" tax expense	$ 28,924
State taxes, net of Federal benefit	4,109
Other	208
	$ 33,241

Deferred income tax benefit resulted from the following for the year ended December 31, 1996:

	1996
	(IN THOUSANDS)
Bad debt and other reserves	$ 981
Depreciation and gain on sale of fixed assets	4,101
State taxes	2,569
Other	491
	$ 8,142

(6) INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at December 31, 1996 are presented below:

	1996
	(IN THOUSANDS)
Deferred Tax Assets:	
Depreciation	$ 3,444
Deferred lease incentives	1,462
Rent expense	1,251
Uniform capitalization adjustment	1,191
State income taxes	2,453
Bad debt and other reserves	1,625
Other	2,215
Total gross deferred assets	13,641
Less: Valuation allowance	--
Less: Deferred tax liabilities	419
Net deferred tax assets	$ 13,222

Management believes that it is more likely than not that the results of operations will generate sufficient taxable earnings to realize net deferred tax assets.

(7) STOCKHOLDERS' EQUITY

In connection with the Company's initial public offering of 7,000,000 shares of common stock at $18.00 per share, which took place on August 7, 1996, (i) Marciano International, which was owned by the Marciano Trusts and held an interest in the subsidiaries of Guess, was merged with and into the Company, (ii) all of the capital stock of Guess Italia was contributed to GEBV, (iii) the Company effected a 32.66 to 1 split of the Common Stock and (iv) the Company declared a distribution of $185.0 million to the Principal Stockholders, representing the Company's previously taxed and undistributed S corporation earnings which included a distribution of $54.0 million (3,000,000 shares at $18.00 per share) of Common Stock, $129.0 million in cash generated primarily from the initial public offering and $2.0 million in S Distribution Notes, (v) the Company terminated its status as an S corporation, and (vi) the Company granted options to purchase 1,225,673 shares pursuant to the Company's 1996 Equity Incentive Plan with an exercise price equal to the initial public offering price of $18.00 per share.

(8) RELATED PARTY TRANSACTIONS

The Company is engaged in various transactions with entities affiliated with trusts for the respective benefit of Maurice, Paul and Armand Marciano (the "Marciano Trusts"). The Company believes that each of the companies, in which the Marciano Trusts have an investment, and related party transactions discussed below were entered into on terms no less favorable to the Company than could have been obtained from an unaffiliated third party.

(8) RELATED PARTY TRANSACTIONS (CONTINUED)

MERGERS

On August 13, 1996, Marciano International, which was wholly owned by the Marciano Trusts, was merged with and into the Company in connection with the initial public offering. Consideration paid to the Marciano Trusts was $300,000.

LICENSE ARRANGEMENTS AND LICENSEE TRANSACTIONS

The Company has a licensing agreement with Charles David of California ("Charles David"). Charles David is controlled by the father-in-law of Maurice Marciano. The Marciano Trusts and Nathalie Marciano (the spouse of Maurice Marciano) together own 50% of Charles David, and the remaining 50% is owned by the father-in-law of Maurice Marciano. The license agreement grants Charles David the rights to manufacture worldwide and distribute worldwide (except Japan and certain European countries) men's, women's and some children's leather and rubber footwear, excluding athletic footwear, which bear the Guess trademark. The license also includes related shoe care products and accessories. Gross royalties earned by the Company under such license agreement for the fiscal year ended December 31, 1996, 1995 and 1994 was $1.5 million, $1.9 million and $1.6 million, respectively. Additionally, the Company purchased $6.0 million, $6.4 million and $4.8 million of product from Charles David for resale in the Company's retail stores during the same respective periods.

On September 1, 1994, the Company entered into a licensing agreement with California Sunshine Activewear, Inc. ("California Sunshine"), granting it the rights to manufacture and distribute men's and women's activewear, which bear the Guess trademark, in the United States. The Marciano Trusts together own 51%

of California Sunshine. Gross royalties earned by the Company under such license agreement for the fiscal year ended December 31, 1996, 1995 and 1994 was $742,000, $343,000 and $0, respectively. Additionally, the Company purchased $1.4 million, $254,000 and $0 of product from California Sunshine for resale in the Company's retail stores during the same respective periods.

Effective January 1, 1995, the Company entered into a licensing agreement with Guess ? Italia, S.r.1. ("Guess Italia"), granting it the exclusive right in Italy and non-exclusive rights in certain other countries within Europe to manufacture and distribute men's and women's apparel, which bear the Guess trademark. The Company and Guess Italia also entered a retail store license agreement as of January 1, 1995, whereby Guess Italia was granted the non-exclusive right to operate Guess stores in Italy. Prior to the IPO, Guess Italia was owned 79% by the Company and 21% by Marciano International, a company wholly owned by the Marciano Trusts. As part of the reorganization in connection with the IPO Guess Italia became a wholly-owned subsidiary of the Company when Marciano International was merged with and into the Company. Gross royalties earned by the Company under such license agreement for the fiscal year ended December 31, 1996 and 1995 was $766,000 and $480,000, respectively. Additionally, the Company purchased $327,000, $511,000 and $0 of product from Guess ? Italia and sold $89,000, $399,000 and $1.1 million of product to Guess Italia for resale in Guess ? Italia's retail store and to other wholesale customers during the fiscal years ended December 31, 1996, 1995 and 1994, respectively. All inter company transactions were eliminated during consolidation.

Effective December 9, 1992, the Company entered into a licensing agreement with Nantucket Industries ("Nantucket"), granting it the rights to manufacture and distribute women's intimate apparel within the United States, which bear the Guess trademark. Nantucket is owned 13.0% by the Company and

(8) RELATED PARTY TRANSACTIONS (CONTINUED)
7.6% by the Marciano Trusts. During the fiscal years ended December 31, 1996, 1995 and 1994, the Company 1) recorded gross royalty income of $327,000, $264,000 and $214,000, respectively, 2) purchased $416,000, $505,000 and $201,000, respectively, of product for resale in its retail stores, and 3) recorded equity losses of $349,000, $98,000 and $19,000, respectively.

Effective December 1, 1989, the Company entered into a licensing agreement with Strandel, Inc. ("Strandel"), granting it the rights to manufacture and distribute Men's, Women's and Children's Knits and woven sportswear in Canada, which bear the Guess trademark. Strandel is owned 20% by the Company. During the fiscal years ended December 31, 1996, 1995 and 1994, the Company 1) recorded gross royalty income of $1.8 million, $1.9 million and $1.6 million, respectively, 2) purchased $0, $0 and $782,000, respectively, of product for resale in its retail stores, and 3) recorded equity income (losses) of ($127,000), $215,000 and $62,000, respectively.

On January 1, 1997, the Company acquired from Pour Le Bebe, Inc., a California Corporation, a 24.75% limited partnership interest in S.W.P.I., Ltd., a California Limited Partnership, as payment in lieu of unpaid license fees due November 1, 1996. The Marciano Trusts have a 75.25% ownership interest in S.W.P.I., Ltd.. The 24.75% limited partnership in S.W.P.I., Ltd. was valued at $1.4 million by the Company, based upon the net asset value of the real estate limited partnership.

PURCHASING AGENCY AGREEMENT

On May 3, 1994, the Company entered into an agreement with Ranche, Ltd. ("Ranche"), now a wholly owned subsidiary of Guess Europe, BV ("GEBV") to serve

as a non-exclusive buying agent for the Company in Hong Kong, which agreement was terminated in the first quarter of 1996 when certain of Ranche's assets were transferred to Newtimes Guess, Ltd, a Hong Kong corporation ("Newtimes") in which the Company and the Marciano Trusts then held indirect ownership interests of 25% and 25%, respectively. In connection with the IPO, the Marciano Trusts' indirect interest in Newtimes was transferred to the Company. Ranche earned commissions of $192,000 during the period in 1996 in which the agreement was still active. In addition, Ranche operates under a licensing arrangement to distribute product to authorized distributors. Gross royalties earned by the Company under such license for the fiscal years ended December 31, 1996, 1995 and 1994 were $163,000, $240,000 and $0, respectively.

In February 1996, the Company entered into a buying agency agreement with Newtimes. Pursuant to such agreement, the Company pays Newtimes a commission based upon the cost of finished garments purchased for the Company by Newtimes. Commissions earned by Newtimes during the fiscal year ended December 31, 1996 was $624,000. Additionally, the Company recorded $190,000 in equity losses during 1996.

LEASES

The Company leases manufacturing, warehouse and administrative facilities from partnerships affiliated with the Principal Stockholders. The leases in effect at December 31, 1996 will expire through July 2008. Aggregate lease payments under leases in effect for the fiscal year ended December 31, 1996, 1995 and 1994 were $2.9 million, $2.8 million and $2.6 million, respectively.

The Company currently subleases, on a month-to-month basis, a portion of a remote Guess facility to Southwest Pacific Investment Company ("SWPI"), an entity owned by the Marciano Trusts. Monthly rental

(8) RELATED PARTY TRANSACTIONS (CONTINUED)
charges are $12,000, effective August 1, 1996. An aggregate of $57,000 was paid by SWPI to the Company during 1996.

(9) COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases its showrooms and retail store locations under operating lease agreements expiring on various dates through January 2012. Some of these leases require the Company to make periodic payments for property taxes and common area operating expenses. Certain leases include rent abatements and scheduled rent escalations, for which the effects are being amortized and recorded over the lease term. The Company also leases some of its equipment under operating lease agreements expiring at various dates through July 1999.

Future minimum rental payments under noncancelable operating leases at December 31, 1996 are as follows:

YEAR ENDING DECEMBER 31, (IN THOUSANDS):	
1997	$22,503
1998	21,026
1999	19,693
2000	18,923
2001	15,205
Thereafter	72,349

$169,699

Rental expense for all operating leases during the years ended December 31, 1996, 1995, and 1994 aggregated $26.4 million, $21.9 million, and $16.3 million, respectively.

INCENTIVE BONUSES

Certain officers of the Company are entitled to incentive bonuses based on the Company's profits.

LITIGATION

On August 7, 1996, a class action complaint naming the Company and certain of its independent contractors was filed in the Superior Court of the State of California for the County of Los Angeles, styled as Brenda Figueroa et. al. v. Guess ?, Inc. et. al. (Dist. Ct. Case No. 96-5484HLH(JGx)) (the "Federal Case"). The complaint, which sought damages and injunctive relief, alleged, among other things, that the defendants' practices with respect to the employees of such independent contractors have violated various federal and state labor laws and regulations. Certain components of the complaint have been remanded to state court (LASC Case No. BC 155 165) (the "State Case"), resulting in two litigation cases. In the Federal Case, plaintiffs claim that the Company's independent contractors violated the Federal Fair Labor Standards Act ("FLSA") by failing to pay minimum wage and overtime in accordance with the FLSA. In the State Case, also a purported class action, plaintiffs assert claims for violation of state wage and hour laws, wrongful discharge, breach of contract, and certain counts of negligence arising out of the Company's

(9) COMMITMENTS AND CONTINGENCIES (CONTINUED)
relationship with its independent contractors and actions taken by the Company's independent contractors with respect to the employees of such independent contractors. In the State Action, plaintiffs allege that the Company breached its agreement with the United States Department of Labor regarding the monitoring of its independent contractors. In both actions, plaintiffs contend that the Company is liable for its contractors' violations because it is a "joint employer" with its independent contractors. The trial in the Federal Case is currently set for December 1997.

The Union of Needletrades, Industrial & Textile Employees ("UNITE") has filed with the National Labor Relations Board ("NLRB") several charges that the Company has engaged and is engaging in unfair labor practices within the meaning of the National Labor Relations Act. In cases No. 21-CA-31524, No. 21-CA-31565 and No. 21-CA-31648, UNITE has alleged that the senior management of the Company unlawfully discharged certain employees because of certain union activities and unlawfully threatened and coerced employees in the exercise of their rights under Section 7 of the National Labor Relations Act. In an agreement with the NLRB, the Company agreed to reinstate all of the employees allegedly unlawfully discharged because of their union activities and agreed to pay them back pay which aggregates appoximately $70,000. The settlement also provides for the posting of a notice for 60 days at the Company stating that the matter has been settled and that the Company agrees to comply with the National Labor Relations Act. The notice has a non-admission clause concerning liability. Prior to the payment of the back wages, UNITE filed an additional unfair labor practice charge with the NLRB (No. 21-CA-31807). In this charge, the union alleges that the Company has unlawfully threatend to move its production to Mexico and elsewhere outside the United States thus unlawfully interfering with the

organizing campaign at the Company's headquarters, and has unlawfully ceased doing business with independent contractors at which ongoing union organizing campaigns are being conducted. This charge also alleges that the Company has violated the settlement agreement in cases No. 21-CA-31524, No. 21-CA-31565 and No. 21-CA-31648 by making such threats. Charge No. 21-CA-31807 is currently under investigation by the NLRB. Pending a decision by the NLRB regarding the allegation that the Company breached the settlement agreement reached in cases No. 21-CA-31524, No. 21-CA-31565 and No. 21-CA-31648, the Company has withheld paying the approximately $70,000 in back wages agreed to in its above described settlement with the NLRB and has not posted notice of the settlement agreement. The subject employees, however, have been reinstated and continue to be employed by the Company. In a separate action (No. 31-CA-22380), UNITE is seeking fees and costs for having to defend certain causes of actions filed against UNITE by Guess. The Company believes that the outcome of one or more of these cases could have a material adverse effect on the Company's financial condition and results of operations.

The Company is also a party to various other claims, complaints and other legal actions that have arisen in the ordinary course of business from time to time. The Company believes that the outcome of such pending legal proceedings, in the aggregate, will not have a material adverse effect on the Company's financial condition or results of operations.

(10) SAVINGS PLAN

On January 1, 1992, the Company established the Guess ? Inc. Savings Plan (the Plan) under Section 401(k) of the Internal Revenue Code. Under the Plan, employees ("associates") may contribute up to 15% of their compensation per year subject to the elective limits as defined by IRS guidelines and the Company may make matching contributions in amounts not to exceed 1.5% of the associates' annual

(10) SAVINGS PLAN (CONTINUED)
compensation. The Company's contributions to the Plan during the years ended December 31, 1996, 1995 and 1994 aggregated $284,000, $261,000 and $213,000, respectively.

(11) QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 1996 and 1995 (in thousands):

YEAR ENDED DECEMBER 31, 1996	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net revenue	$ 134,898	$ 122,508	$ 154,498	$ 139,258
Gross profit	64,419	55,874	70,214	62,024
Earnings before income taxes	25,318	11,149	26,263	19,837
Net earnings	24,047	10,822	20,338	11,534
Supplemental pro forma earnings:				
Earnings before income taxes	25,318	11,149	26,263	19,837
Net earnings	15,267	6,723	15,626	11,710

YEAR ENDED DECEMBER 31, 1995				
Net revenue	$ 124,903	$ 104,749	$ 133,129	$ 123,952
Gross profit	59,636	49,207	59,148	56,600
Earnings before income taxes	21,271	12,998	17,322	15,223
Net earnings	20,712	12,282	16,484	14,441
Supplemental pro forma earnings:				
Earnings before income taxes	21,271	12,998	17,322	15,223
Net earnings	12,763	7,798	10,395	9,132

The supplemental pro forma earnings presents net earnings, based on historical earnings before income taxes, as if the Company was taxed as a C corporation rather than an S corporation for all periods presented.

(12) SEGMENT INFORMATION

Net revenue is summarized as follows for the years ended December 31, 1996, 1995 and 1994:

	1996	1995	1994
Domestic	$ 484,358	$ 453,344	$ 527,296
International	66,804	33,389	20,516
	$ 551,162	$ 486,733	$ 547,812

(13) STOCK OPTION PLAN

On July 30, 1996, the Board of Directors adopted the Guess ?, Inc. 1996 Non-Employee Directors' Stock Option Plan pursuant to which the Board of Directors may grant stock options to non-employee directors. The Plan authorizes grants of options to purchase up to 500,000 shares of authorized but

(13) STOCK OPTION PLAN (CONTINUED)
unissued common stock. Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant. As of December 31, 1996, there were no options issued under this plan.

On July 30, 1996, the Board of Directors adopted the Guess ?, Inc. 1996 Equity Incentive Plan (the "Plan") pursuant to which the Board of Directors may grant stock options to officers, key associates and consultants. The Plan authorizes grants of options to purchase up to 4,500,000 shares of authorized but unissued common stock. Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant. Stock options have ten year terms (five years in the case of an incentive stock option granted to a ten percent shareholder) and vest and become fully exercisable after varying time periods from the date of grant based on length of service or specified performance goals.

At December 31, 1996, there were 3,248,895 additional shares available for grant under the Plan. The per share weighted-average fair value of stock options granted during 1996 was $5.50 on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions: 1996 expected dividend yield 0.0%, risk-free interest rate of 6.57%, and expected life of four years.

The Company applies APB Opinion No. 25 in accounting for its Plan and, accordingly, no compensation cost has been recognized for its stock options in the financial statements. Had the Company determined compensation based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's pro forma net earnings and net earnings per share for the year ended December 31, 1996 would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

Pro forma net earnings	$ 48,287
Pro forma earnings per share	$ 1.15

Pro forma net earnings reflects only options granted since the inception of the Plan on July 30, 1996. The full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net earnings amounts presented above because compensation cost is reflected over the options' vesting period of four years.

Stock option activity during the period indicated is as follows:

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Balance at December 31, 1995	0	$ 0.00
Granted	1,287,105	17.74
Exercised	0	0.00
Forfeited	(36,000)	18.00
Expired	0	0.00
Balance at December 31, 1996	1,251,105	$ 17.73

At December 31, 1996, the weighted average exercise price and weighted-average remaining contractual life of outstanding options was $17.73 and 9.63 years, respectively.

At December 31, 1996, the number of options exercisable was 35,568, and the weighted-average exercise price of those options was $18.00.

(14) ACQUISITION

On December 4, 1996, the Company entered into an Asset Purchase Agreement in which the Company purchased the rights, title and interest to the existing License Agreement between the Company and Sweatshirt Apparel U.S.A., Inc. ("Sweatshirt Apparel"), for the manufacturing and distribution rights for Guess Ladies Knitwear products. In connection with the Asset Purchase Agreement, the existing License Agreement between the Company and Sweatshirt Apparel was terminated on December 31, 1996. The aggregate purchase price was $10.0 million, of which $5.0 million was paid in cash prior to December 31, 1996, and $2.0 million was paid in cash and $3.0 million was settled in the form of a stock issuance made on January 2, 1997 (216,216 shares at $13.87 per share). In addition, one of the Principal Stockholders of Sweatshirt Apparel will receive an earnout of no less than $.5 million for each of five years, commencing in 1997.

(15) REORGANIZATION CHARGE

In the second quarter of 1996, the Company recorded a provision of $3.6 million for certain non-recurring charges relating to the write-down to net realizable value of operating assets associated with the (i) disposal of two currently active remote warehouse and production facilities, resulting in a net book loss of $2.4 million, and (ii) the net book loss of $1.2 million incurred by the Company in connection with the sale of one of its aircraft.

The write-down to net realizable value related to the disposal of the warehouse and production facilities of $2.4 million is based upon the asset carrying value of $5.7 million less its appraisal value of $3.9 million and includes a provision of $600,000 for estimated disposal costs, comprised primarily of commissions, title fees and other customary real estate closing costs. The write-down related to the sale of the aircraft of $1.2 million is based upon the asset carrying value of $7.2 million less the sale price of $6.0 million. The estimated costs of disposal of the aircraft were immaterial. The above assets are included in property and equipment at December 31, 1996 and the Company has not recorded any depreciation expense on these assets from the date the dispositions were contemplated.

The Company has not recorded the Charge related to the warehouse and production facilities to be disposed of as a cumulative effect from the implementation of SFAS No. 121 recorded net of tax, because the effect of such implementation is immaterial to the consolidated financial statements.

(16) SUBSEQUENT EVENT

In March 1997, the Company signed a letter of intent to form a joint venture in Europe with the Fingen Group, a leading European apparel manufacturer and distributor owned by the Fratini family. The new joint venture, Maco Apparel S.r.1., will enter into a licensing agreement with the Company for the manufacture and sale of its jeanswear lines throughout Europe and will purchase certain of the Company's operations in Italy. Maco Apparel S.r.1. will produce a full collection of casual lifestyle jeanswear apparel, including men's and women's jeans. The Company will continue to design the collections to be sold in the European market.

SCHEDULE II
GUESS ?, INC. & SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 31, 1996, 1995, AND 1994
(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS AND WRITE-OFFS	BALANCE AT END OF PERIOD
As of December 31, 1994				
Allowance for obsolescence	1,000	1,400	--	2,400
Accounts receivable	15,906	758	(6,273)	10,391
As of December 31, 1995				
Allowance for obsolescence	2,400	2,352	(392)	4,360
Accounts receivable	10,391	5,147	(4,689)	10,849
As of December 31, 1996				
Allowance for obsolescence	4,360	(218)	(885)	3,257
Accounts receivable	10,849	4,280	(5,392)	9,737

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on March 24, 1997.

GUESS ?, INC.

By: /s/ MAURICE MARCIANO

Maurice Marciano

Title: CHAIRMAN OF THE BOARD, CHIEF

		EXECUTIVE OFFICER AND DIRECTOR	

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

/s/ MAURICE MARCIANO Maurice Marciano	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 24, 1997
/s/ PAUL MARCIANO Paul Marciano	President, Chief Operating Officer and Director	March 24, 1997
/s/ ARMAND MARCIANO Armand Marciano	Senior Executive Vice President, Secretary and Director	March 24, 1997
/s/ ROGER WILLIAMS Roger Williams	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Chief Accounting Officer)	March 24, 1997
Aldo Papone	Director	

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(d) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1.	Restated Certificate of Incorporation of the Registrant.(5)
3.2.	Bylaws of the Registrant.(5)
4.1.	Indenture, dated August 23, 1993, between the Registrant and First Trust National Association, as Trustee.(1)
4.2.	First Supplemental Indenture, dated August 23, 1993, between the Registrant and First Trust National Association, as Trustee.(1)
4.3.	Specimen stock certificate.(5)
*10.1.	Amended and Restated Stockholders' Agreement.
10.2.	Letter Agreement, dated July 9, 1993, among the Registrant, Georges Marciano, Maurice Marciano, Paul Marciano, Armand Marciano and trusts for their respective benefit.(1)
10.3.	Employment Agreement, dated March 1, 1994, between the Registrant and Roger A. Williams.(2)
10.4.	Letter Agreement, dated January 22, 1996, between the Registrant and Andrea Weiss.(5)
10.5.	Employment Agreement, dated as of May 14, 1996, between the Registrant and Francis K. Duane.(5)
10.6.	General Release and Indemnity Agreement, dated August 23, 1993, among Maurice, Paul and Armand Marciano, their respective trusts, the Registrant, Georges Marciano and his trust.(1)
10.7.	General Release Agreement, dated August 23, 1993, among Maurice, Paul and Armand Marciano, their respective trusts, the Registrant, and Georges Marciano and his trust.(1)
10.8.	Cancellation and Reassignment Agreement, dated August 23, 1993, among the Registrant, MSKMarciano, Inc., Georges Marciano, Inc. and Georges Marciano.(1)
10.9.	Alameda Lease, dated July 29, 1992, among the Registrant and 1444 Partners, Ltd.(1)
10.10.	Revolving Credit Agreement, dated as of December 20, 1993, between the Registrant and The First National Bank of Boston, as agent, and Sanwa Bank California, as co-agent, and the group of financial institution party thereto (the "Revolving Credit Agreement").(2)
10.11.	Security Agreement, dated December 20, 1993, between the Registrant and the First National Bank of Boston, as agent for itself and for certain lenders.(2)
10.12.	Amendment No. 1 to the Revolving Credit Agreement, dated January 20, 1994, among the parties thereto.(3)
10.13.	Amendment No. 2 to the Revolving Credit Agreement, dated April 1, 1994, among the parties thereto.(3)
10.14.	Amendment No. 3 to the Revolving Credit Agreement, dated July 18, 1994, among the parties thereto.(3)
10.15.	Amendment No. 4 to the Revolving Credit Agreement, dated October 24, 1994, among the parties thereto.(3)
10.16.	Amendment No. 5 to the Revolving Credit Agreement, dated February 13, 1995, among the parties thereto.(4)

EXHIBIT NUMBER	DESCRIPTION
10.17.	Amendment No. 6 to the Revolving Credit Agreement, dated September 14, 1995, among the parties thereto.(4)
10.18.	Amendment No. 7 to the Revolving Credit Agreement, dated December 22, 1995, among the parties thereto.(4)
10.19.	Amendment No. 8 to the Revolving Credit Agreement, dated February 13, 1996, among the parties thereto.(5)
*10.20.	Amended and Restated Revolving Credit Agreement, dated as of March 28, 1997 among the parties thereto. (+ Exhibits A-K)
10.21.	Agreement as to Consignment of Documents and Related Matters, dated December 22, 1995, between the Registrant and The First National Bank of Boston.(4)
10.22.	1996 Equity Incentive Plan.(5)
10.23.	1996 Non-Employee Directors' Stock Option Plan.(5)
10.24.	Annual Incentive Plan.(5)
*10.25.	Employment Agreement between the Regristrant and Maurice Marciano.
*10.26.	Employment Agreement between the Regristrant and Paul Marciano.
*10.27.	Employment Agreement between the Regristrant and Armand Marciano.
*10.28.	Registration Rights Agreement among the Registrant and certain stockholders of the Registrant.
*10.29.	Indemnification Agreement among the Registrant and certain stockholders of the Registrant.
*10.30.	Indemnification Agreements between the Registrant and certain executives and directors.
21.1.	List of Subsidiaries.(5)
*27.1.	Financial Data Schedule.

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* Filed herewith

(1) Incorporated by reference from the Registration Statement of Form S-1 (Registration No. 33-69236) originally filed by the Company on September 22, 1993.

(2) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 27, 1994.

(3) Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1994.

(4) Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

(5) Incorporated by reference from the Registration Statement on Form S-1 (Registration No. 333-4419) filed by the Company on June 24, 1996, as amended.

(B) FINANCIAL STATEMENT SCHEDULE:

	DESCRIPTION
SCHEDULE II	VALUATION AND QUALIFYING ACCOUNTANTS

*10.1. Amended and Restated Stockholders' Agreement.

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AMENDED AND RESTATED
SHAREHOLDERS' AGREEMENT

THIS AMENDED AND RESTATED SHAREHOLDERS' AGREEMENT is entered into as of August 8, 1996 (this "Restated Agreement"), by and among Maurice Marciano, as Trustee of the Maurice Marciano Trust (1995 Restatement), Paul Marciano, as Trustee of the Paul Marciano Trust dated February 20, 1986, and Armand Marciano, as Trustee of the Armand Marciano Trust dated February 20, 1986, (collectively, the "Initial Stockholders") and Guess ?, Inc., a Delaware corporation, having its principal office and place of business at 1444 South Alameda Street, Los Angeles, California 90021 (hereinafter referred to as the "Corporation").

WHEREAS, the Initial Stockholders are currently the owners of 32,026,739 shares of the issued and outstanding shares (the "Shares") of the Corporation's common stock, par value $.01 per share (the "Common Stock"), and, after the proposed offering of 7,000,000 shares of Common Stock by the Corporation (the "Offering"), the Initial Stockholders will continue to own approximately 75% of the Corporation's issued and outstanding capital stock;

WHEREAS, the Initial Stockholders and the Corporation are parties to a Restated Shareholders' Agreement dated as of November 12, 1993, as amended to date (the "Shareholders' Agreement"), which governs, among other issues, the management and ownership of the shares of Common Stock owned by the Stockholders;

WHEREAS, the Stockholders and the Corporation desire to further amend and restate the Shareholders' Agreement in its entirety and to add additional parties to this Restated Agreement as Stockholder; and

WHEREAS, the Maurice Marciano 1996 Grantor Retained Annuity Trust, the Paul Marciano 1996 Grantor Retained Annuity Trust and the Armand Marciano 1996 Grantor Retained Annuity Trust (collectively, the "Transferee Stockholders" and, together with the Initial Stockholders, being referred to herein, collectively, as the "Stockholders") collectively hold the remaining 3,655,080 shares or approximately 8.6% of the Common Stock outstanding after the Offering and desire to become parties to this Restated Agreement, and the Initial Stockholders and the Corporation are willing to add them as parties thereto.

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth herein, the parties hereto agree that the Shareholders' Agreement is hereby further amended and restated to read in its entirety as follows:

1. TERM OF AGREEMENT

This Restated Agreement shall be effective from the date hereof until the earliest to occur of any of the following:

(i) The cessation for a substantial period of time of the Corporation's business;

(ii) The liquidation or dissolution of the Corporation;

(iii) The entry of a decree or order by a court having jurisdiction adjudging the Corporation bankrupt or insolvent or seeking reorganization, arrangement, adjustment or composition of or in respect of the

Corporation, or appointing a custodian, receiver, liquidator, trustee (or other similar official) of the Corporation or ordering the winding up or the liquidation of its affairs and the continuance of such decree or order unstayed and in effect for a period of 60 consecutive days;

(iv) A permitted transfer of all of the Shares by the Stockholders;

(v) Only one Stockholder shall own shares of Common Stock or other voting securities of the Corporation; or

(vi) The aggregate amount of Common Stock held by the Stockholders shall constitute less than 10% of the issued and outstanding Common Stock.

2. VOTING AGREEMENT

Each of the Stockholders hereby covenants and agrees that, so long as it is a stockholder of the Corporation, he will vote (or cause the voting of) the shares of Common Stock of the Corporation then owned by it (or any such shares which he has the right to vote, pursuant to any agreement or proxy), in favor of the election of each of Messrs. Maurice Marciano, Paul Marciano and Armand Marciano, in their individual capacities (collectively, the "Individuals") (or, if any of them shall decline to serve, the designee (if any) of such person, if such designee shall be reasonably acceptable to the other Individuals) to the Board of Directors of the Corporation (the "Board"). In the event of the death or disability of any of the Individuals, the executor, conservator or lawful heir of such person shall assume such person's right to designate a Director (including such executor, conservator or lawful heir) for election as aforesaid.

3. LEGENDS ON CERTIFICATES

The certificates evidencing the shares of Common Stock held by the Stockholders shall bear any legends required by federal or state securities law and the following legend required by Section 202(a) of the Delaware General Corporation Law (the "DGCL"):

"The shares represented by this Certificate may not be assigned, sold, transferred, hypothecated, or otherwise disposed of, except in accordance with the Amended and Restated Shareholders' Agreement dated as of August 8, 1996, which is on file at the office of the issuer."

4. RESTRICTIONS ON DISPOSITION

A. Subject to Subsection E below, no Stockholder shall voluntarily transfer, sell, assign, pledge, encumber, grant any option with respect to, or otherwise create any legal or equitable interest in any shares of Common Stock owned by it except pursuant to a sale of all or any part of such shares of Common Stock for cash, notes or Public Equity Securities (as hereinafter defined), or a combination of the three, made in accordance with Subsection B below. As used herein, "Public Equity Securities" shall mean any securities which are either listed on a national securities exchange or are traded on the National Association of Securities Dealers Automated Quotation System and which, in the hands of the Stockholder or Stockholders receiving them in payment for any Shares, will be (i) freely transferable without registration under the Securities Act of 1933, as amended, or any applicable state securities law, and (ii) free and clear of any liens, claims, right to purchase or sell or other encumbrance of any kind.

B. If any Stockholder shall receive a bona fide offer (an "Offer") to purchase any of the shares of Common Stock owned by it (the "Offered Shares") for cash, notes or Public Equity Securities, or a combination thereof, that Stockholder (the "Offering Stockholder") shall first offer in writing (a "Sale Notice") to sell the Offered Shares to those Initial Stockholders not

selling Offered Shares and the Corporation (collectively, the "Offerees") on the same terms and conditions as are contained in the Offer; provided, however, that the date for consummation of such sale to the Offerees (the "Offeree Closing Date") shall be no less than 20 nor more than 30 days after the date of receipt of the Sale Notice by the Offerees; and provided further, that such Offeree shall be entitled to substitute any combination of cash and Public Equity Securities for the cash and Public Equity Securities components of the Offer so long as on the Offeree Closing Date the total consideration in the form of cash and Public Equity Securities offered by such Offerees is equal to the total consideration in the form of cash and Public Equity Securities in the Offer. Each Offeree shall have the right to purchase all (but not less than all) of the Offered Shares and shall exercise such right by tendering written notice thereof to the Offering Stockholder within

30 days of receipt of the Sale Notice. If more than one Offeree exercises its right to purchase the Offered Shares (each, a "Purchaser"), each such Purchaser shall be entitled to purchase Offered Shares in the following priority: (x) first, to the Offerees that are Initial Stockholders, each of whom shall be entitled to purchase the number of the Offered Shares which bears the same relationship to the total number of Offered Shares as the number of shares of Common Stock owned by such Initial Stockholder bears to the total number of shares of Common Stock owned by all of the Offerees that are Initial Stockholders, and (y) second, to the Corporation, to the extent that the Initial Stockholders do not elect to purchase all of the Offered Shares.

To the extent that either the Initial Stockholders or the Corporation do not purchase the Offered Shares on or before the Offeree Closing Date, then the Offering Stockholder may sell such unpurchased Offered Shares as above provided to the third party pursuant to the Offer at any time within three months after the expiration of the 30 day period provided above, but only on terms and conditions no less favorable to the Offering Stockholder than those specified in the Offer.

C. For purposes of Subsection B above, all offers to the Offerees by the Offering Stockholder shall state the entire terms of such offer, including, without limitation, purchase price, form of consideration and financing terms and shall include a copy of the Offer made by the third party.

D. In the event that any shares of Common Stock owned by any Stockholder who is a party hereto shall be sold upon execution sale or shall otherwise be transferred pursuant to legal process or shall be transferred pursuant to an agreement entered into in connection with a divorce or separation between the beneficial owner of such shares and such person's spouse, or any arrangement with creditors of any Stockholder, the beneficial owner of shares of Common Stock held by such Stockholder or the Corporation or any other legal proceeding, the other Stockholders and the Corporation, in accordance with the procedures established in Section B above, shall have an option to purchase the shares so sold or transferred from the transferee at the same price paid by the transferee for such shares by written notice given to the transferee for such shares, by written notice given to such transferee within 30 days after the execution sale or such other transfer. In the event that no price is paid by the transferee, the other Stockholders and the Corporation shall have the option to purchase such shares, in accordance with the procedures established in Section B above, at the appraised fair market value of such shares, as determined by an independent appraiser of recognized standing selected by the Corporation. Until the expiration of the 30-day period referred to above, such transferee shall be obligated to vote the shares of Common Stock transferred to it in accordance with the terms of this Restated Agreement.

E. Nothing in this Section shall prohibit the transfer of shares, (1) on the death of the settlor of any Stockholder, (a) by his will or

other instrument disposing of his property on death (including an instrument creating any Stockholder), (b) pursuant to the laws of descent and distribution applicable to his estate, (2) by any Stockholder to its settlor (identified in the instrument creating the Stockholder, as in effect on the date hereof) or to any one or more of the lineal descendants of such settlor, or to any trust for the exclusive benefit of any such lineal descendants; provided, that any such transfer in trust shall not be prohibited solely because the terms of such trust provide a remainder interest to or for the benefit of one or more persons who is not a lineal descendant of the settlor, so long as such interest is payable only in the event that neither such settlor nor any such lineal descendant of the settlor is then living or (3) in connection with a registered offering of shares of Common Stock by any Stockholder pursuant to the Registration Rights Agreement dated August __, 1996 among the Stockholders and the Corporation. Any successor or transferee who receives shares pursuant to an event described in clause (1) or (2) above shall, as a condition of such transfer, enter into an agreement to be bound by the provisions of this Restated Agreement in its entirety, shall be deemed to be a "Stockholder" hereunder and, for purposes of this subsection, if an individual, shall be deemed to be the "settlor of a Stockholder."

5. ARBITRATION OF DISPUTES

Any controversy or claim arising out of or relating to this Restated Agreement or the breach thereof shall be settled by submission to binding arbitration at the request of any party to such controversy or claim. In such event, arbitration shall be conducted before a single Primary Arbitrator in the State of California, County of Los Angeles. Such Primary Arbitrator shall be selected by a panel of three arbitrators. Each of the Initial Stockholders shall be entitled to select one member of such panel of arbitrators who is reasonably acceptable to the other Stockholders. If the Stockholders are unable to agree on all the members of such panel of arbitrators, then the remaining arbitrators shall be selected by an administrator of the Judicial Arbitration and Mediation Services, Inc. from its panel of retired judges. The Primary Arbitrator shall conduct such arbitration in accordance with the rules established by the panel of arbitrators. Judgment may be entered on the arbitrator's award in any court having jurisdiction. To the extent necessary to obtain any provisional relief of any dispute or controversy or clam arising under or in connection with this Restated Agreement, the parties hereto expressly consent to the jurisdiction of the state courts located in the State of California, County of Los Angeles, and consent that any service of process therefor may be made by personal service upon the parties hereto wherever each may be located, or by certified or registered mail directed to the parties hereto at each such party's respective address as set forth in Section 13 hereof.

6. BENEFIT

Except upon the occurrence of a termination event as provided in Section 1, this Restated Agreement shall be binding upon and shall operate for the benefit of the parties hereto, their respective successors and assigns.

7. INVALIDITY OF ANY PROVISION

The invalidity or unenforceability of any provision of this Restated Agreement shall not affect the other provisions hereof, and the Restated Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted, provided that the parties shall negotiate in good faith to replace the invalid provision with a valid provision reflecting the same balance of economic interests.

8. MODIFICATION OF AGREEMENT

No modification, amendment or waiver of any of the provisions of this Restated Agreement shall be valid unless made in writing and signed by the Corporation and each Stockholder or other party subject to this Restated Agreement from time to time.

9. FURTHER ACTION

A. The Corporation shall not register, and shall instruct any transfer agent for the Common Stock not to register, on the books of the Corporation any transfer, pledge or encumbrance of any shares of Common Stock subject to this Agreement, unless such transfer, pledge or encumbrance complies with terms of this Agreement and the Stockholders agree to provide the Corporation (or any such transfer agent) with such documents, including an opinion of counsel as to compliance with the terms of this Restated Agreement, as the Corporation (or any such transfer agent) may reasonably request.

B. A copy of this Restated Agreement shall be made a part of the minutes of the Corporation.

10. ATTORNEY'S FEES AND COSTS

If any action at law or in equity (including any arbitration proceeding under Section 5 above) is necessary to enforce or interpret the terms of this Restated Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs, and necessary disbursements, in addition to any other relief to which he may be entitled.

11. APPLICABLE LAW

This Restated Agreement shall be construed in accordance with the laws of the State of Delaware.

12. ENTIRE AGREEMENT

This Restated Agreement supersedes all agreements as to the subject matter hereof among the Stockholders and the Corporation including in each case amendments thereto, previously executed by the Stockholders and the Corporation. This Restated Agreement sets forth all of the provisions, covenants, agreements, conditions and undertakings between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings express or implied, oral or written as to the subject matter hereof.

13. NOTICES

Unless otherwise specified herein, all notices, requests, demands and other communications to be given under this Restated Agreement shall be in writing and shall be deemed given if (i) delivered in person, or by United States mail, certified or registered, with return receipt requested, (ii) if sent by telex or facsimile transmission, with a copy mailed on the same day in the manner provided in (i) above, when transmitted and receipt is confirmed by telephone, or (iii) if otherwise actually delivered:

TO THE CORPORATION: 1444 South Alameda Street, Los Angeles, California 90021, with copies to each Director and each Stockholder as their names and addresses appear on the records of the Corporation;

TO ANY STOCKHOLDER: As the name and address of such Stockholder

appears on the record of stockholders of the Corporation;

or at such other address as may have been furnished by such person in writing to the other parties. Any such notice, demand or other communication shall be deemed to have been given on the date actually delivered or as of the date mailed, as the case may be.

[Signature pages follow]

IN WITNESS WHEREOF, the undersigned have caused this Restated Agreement to be executed as of the date first hereinabove written.

GUESS ?, INC.

By:
Name:
Title:

STOCKHOLDERS

MAURICE MARCIANO TRUST
(1995 RESTATEMENT)

By:
Maurice Marciano
Trustee

PAUL MARCIANO TRUST
DATED FEBRUARY 20, 1986

By:
Paul Marciano
Trustee

ARMAND MARCIANO TRUST
DATED FEBRUARY 20, 1986

By:
Armand Marciano
Trustee

MAURICE MARCIANO 1996 GRANTOR RETAINED
ANNUITY TRUST

By:
Paul Marciano
Co-Trustee

By:

Gary W. Hamper
Co-Trustee

PAUL MARCIANO 1996 GRANTOR RETAINED ANNUITY TRUST

By:
Maurice Marciano
Co-Trustee

By:
Joseph H. Sugarman
Co-Trustee

ARMAND MARCIANO 1996 GRANTOR RETAINED ANNUITY TRUST

By:
Maurice Marciano
Co-Trustee

By:
Marc E. Petas
Co-Trustee

10.20. Form of Amendment No. 9 to the Revolving Credit Agreement, among the parties thereto.

AMENDED AND RESTATED

REVOLVING CREDIT AGREEMENT

GUESS ?, INC.

DATED AS OF MARCH 28, 1997

THE FIRST NATIONAL BANK OF BOSTON, AS AGENT

SANWA BANK CALIFORNIA, AS CO-AGENT

AND A GROUP OF FINANCIAL INSTITUTIONS PARTY HERETO

TABLE OF CONTENTS

EXHIBITS

AMENDED AND RESTATED

REVOLVING CREDIT AGREEMENT

DATED AS OF MARCH ___, 1997

THIS AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT is made as of March ___, 1997, by and between GUESS ?, INC. (the "COMPANY"), a Delaware corporation having its chief executive office at 1444 S. Alameda Street, Los Angeles, California, 90021 and THE FIRST NATIONAL BANK OF BOSTON, AS AGENT (the "AGENT"), a bank with its head office at 100 Federal Street, Boston, Massachusetts 02110, SANWA BANK CALIFORNIA, a bank with its head offices at 601 South Figueroa Street, Los Angeles, California 90017 (the "CO-AGENT") and the group of financial institutions party hereto (collectively, the "LENDERS").

WHEREAS, the Company, the Agent, the Co-Agent and the Lenders are parties to a Revolving Credit Agreement dated as of December 20, 1993 as amended by a First Amendment to Revolving Credit Agreement dated as of January 20, 1994, by a Second Amendment and Waiver to Revolving Credit Agreement dated as of April 1, 1994, by a Third Amendment and Waiver to Revolving Credit Agreement dated as of July 18, 1994, by a Fourth Amendment and Waiver to Revolving Credit Agreement dated as of October 24, 1994, by a Fifth Amendment to Revolving Credit Agreement dated as of February 13, 1995, by a Sixth Amendment to Revolving Credit Agreement dated as of September 14, 1995, by a Seventh Amendment to Revolving Credit Agreement dated as of December 22, 1995 and by an Eighth Amendment to Revolving Credit Agreement dated as of February 13, 1996. (collectively, the "EXISTING LOAN AGREEMENT"); and

WHEREAS, the Company, the Agent, the Co-Agent and the Lenders desire (i) to extend the maturity date under the Existing Loan Agreement, (ii) to make certain other changes under the Existing Loan Agreement, and (iii) to amend and restate the Existing Loan Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

1 - DEFINITIONS

1. DEFINITIONS.

All capitalized terms used in this Agreement or in the Notes or in any certificate, report or other document made or delivered pursuant to this Agreement (unless otherwise defined therein) shall have the meanings assigned to them below:

ADJUSTED EURODOLLAR RATE. Applicable to any Interest Period, shall mean a rate per annum determined pursuant to the following formula:

AER =[IOR]*
- -----------------

* The amount in brackets shall be rounded upwards, if necessary, to the next higher 1/100 of 1%.

[1.00 - RP]

AER =Adjusted Eurodollar Rate
IOR =Interbank Offered Rate
RP =Reserve Percentage

Where:

"Interbank Offered Rate" applicable to any Eurodollar Loan for any Interest Period means the rate of interest determined by the Agent to be the prevailing rate per annum at which deposits in U.S. dollars are offered to the Agent by first-class banks in the interbank Eurodollar market in which it regularly participates on or about 10:00 a.m. (Boston time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Eurodollar Loan to which such Interest Period is to apply for a period of time approximately equal to such Interest Period.

"Reserve Percentage" applicable to any Interest Period means the rate (expressed as a decimal) applicable to the Agent during such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including, without limitation, any basic, supplemental, emergency or marginal reserve requirement) of

the Agent with respect to "Eurocurrency Liabilities" as that term is defined under such regulations.

The Adjusted Eurodollar Rate shall be adjusted automatically as of the effective date of any change in the Reserve Percentage.

AFFECTED PARTY. See SECTION 2.21.

AFFILIATE. With reference to any Person, (i) any director, officer or employee of that Person, (ii) any other Person controlling, controlled by or under direct or indirect common control of that Person, (iii) any other Person directly of indirectly holding 5% or more of any class of the Capital Stock or other equity interests (including options, warrants, convertible securities and similar rights) of that Person, and (iv) any other Person holding 5% or more of any class of whose Capital Stock or other equity interests (including options, warrants, convertible securities and similar rights) is held directly or indirectly by that Person.

AGENT. The Agent as defined in the preamble or any successor agent appointed under the terms hereof.

AGENT'S FEE. The annual fee of $25,000 payable by the Company to the Agent at Closing and on every anniversary thereof as long as this Agreement is in effect.

AGREEMENT. This Agreement, as the same may be supplemented or amended from time to time.

APPAREL BUSINESS. Collectively, (a) the business of the manufacture, wholesale sale and/or retail sale of clothing garments and other wearing apparel or allied or complementary products for men, women or children, including accessories, fragrances, eyewear, watches and footwear, or of any component materials thereof, and (b) the business of granting licenses of the trademarks, tradenames and other similar property to other Persons for the manufacture and/or sale of such products of any nature by such persons.

BANKRUPTCY CODE. Title 11 of the U.S. Code (11 U.S.C Section 101 et. seq.).

BASE RATE. The rate of interest announced from time to time by the Agent at its head office as its Base Rate minus Fifty (50) basis points.

BASE RATE LOAN. Any Revolving Loan bearing interest determined with reference to the Base Rate.

BUSINESS DAY. (i) For all purposes other than as covered by clause (ii) below, any day other than a Saturday, Sunday or legal holiday on which banks in each of Boston, Massachusetts, Los Angeles, California and New York, New York are open for the conduct of their commercial banking business; and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day that is a Business Day described in clause (i) that is also a day for trading by and between banks in U.S. Dollar deposits in the interbank Eurodollar market.

CAPITAL EXPENDITURE. Any expenditure that is considered a capital expenditure under GAAP.

CAPITAL STOCK. With respect to any Person, any and all shares, interests, participations, rights in or other equivalents (however designated) of such Person's capital stock or equity interests, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock or equity interests.

CAPITAL LEASE. Any lease of any property (whether real, personal or mixed) by any Person as lessee, which lease should, in accordance with GAAP, be accounted for as a capital lease on the balance sheet of such Person.

CO-AGENT. As defined in the preamble.

COLLATERAL. The meaning set forth in the Security Agreement.

CODE. The Internal Revenue Code of 1986 and the rules and regulations thereunder, collectively, as the same may from time to time be supplemented or amended and remain in effect.

COMMITMENT AMOUNT. $100,000,000 or any lesser amount, including zero, resulting from a termination or reduction of such amount in accordance with SECTION 2.5 or SECTION 7.2.

COMMITMENT FEE. See SECTION 2.4.

COMPANY. See Preamble.

CONSOLIDATED CASH FLOW. For any fiscal period an amount equal to Consolidated EBITDA for such period, minus Capital Expenditures made during such period.

CONSOLIDATED CURRENT ASSETS. Consolidated current assets as determined for the Company and its Subsidiaries, if any, in accordance with GAAP.

CONSOLIDATED CURRENT LIABILITIES. At any date as of which the amount thereof shall be determined, all amounts that should, in accordance with GAAP, be included as current liabilities on the consolidated balance sheet of the Company and its Subsidiaries as at such date, plus, to the extent not already included therein, all Loans, and all Indebtedness that is payable upon demand or within one year from the date of determination thereof unless such Indebtedness is renewable or extendable at the option of the Company or any Subsidiary to a date more than one year from the date of determination.

CONSOLIDATED EBITDA. For any period, an amount equal to Consolidated Net Income for such period plus, (a) to the extent deducted in computing such Consolidated Net Income, (i) Consolidated Total Interest Expense, (ii) taxes and (iii) all depreciation, amortization and other non-cash charges taken in accordance with GAAP and deducted in computing Consolidated Net Income for such period and minus (b) to the extent included in computing such Net Income, all extraordinary and unusual gains.

CONSOLIDATED NET INCOME. The gross revenues of the Company (on a consolidated basis if and when the Company has any Subsidiaries) for the period in question, less all expenses and other proper charges (including taxes on income), all determined in accordance with GAAP, but in any event, excluding from Consolidated Net Income: (i) any gain or loss arising from any write-up of assets, except to the extent inclusion thereof shall be approved in writing by the Majority Lenders; (ii) earnings of any Subsidiary accrued prior to the date it became a Subsidiary; (iii) the net earnings of any business entity (other than a Subsidiary) in which the Company or any Subsidiary has an ownership interest, except to the extent such net earnings shall have actually been received by the Company or such Subsidiary in the form of cash or other marketable property distributions; (iv) the proceeds of any life insurance policy; (v) any deferred or other credit representing any excess of the equity of any Subsidiary at the date of acquisition thereof over the amount invested in such Subsidiary; and (vi) any reversal of any contingency reserve, except to the extent that provision for such contingency reserve shall be made from income arising during such period.

CONSOLIDATED TOTAL DEBT SERVICE. For any period, all interest which has accrued (whether actually paid or not), for such period, and all scheduled

payments of principal due during the one year period preceding the end of such period, on all obligations for borrowed money, capitalized leases or otherwise, except for the principal amounts outstanding under the Revolving Loans.

CONSOLIDATED TOTAL INTEREST EXPENSE. For any period, all interest which has accrued (whether actually paid or not), for such period on all Indebtedness for Money Borrowed, Capitalized Leases or otherwise.

CONTROLLED GROUP. All trades or businesses (whether or not incorporated) under common control that, together with the Company, are treated as a single employer under Section 414(b) or 414(c) of the Code or Section 4001 of ERISA.

DEFAULT. An event or condition that, but for the requirement that time elapse or notice be given, or both, would constitute an Event of Default.

DOCUMENTARY LETTER OF CREDIT. A Letter of Credit issued for the account of the Company for the purchase of goods and payable upon the presentation of documents.

ENCUMBRANCES. See SECTION 6.4.

ERISA. The Employee Retirement Income Security Act of 1974 and the rules and regulations thereunder, collectively, as the same may from time to time be supplemented or amended and remain in effect.

ENVIRONMENTAL LAWS. Any and all applicable federal, state and local environmental, health or safety statutes, laws, regulations, rules, ordinances, policies and rules (whether now existing or hereafter enacted or promulgated), of all governmental agencies, bureaus or departments which may now or hereafter have jurisdiction over the Company or any of its Subsidiaries and all applicable judicial and administrative and regulatory decrees, judgments and orders, including common law rulings and determinations, relating to injury to, or the protection of, real or personal property or human health or the environment, including, without limitation, all requirements pertaining to reporting, licensing, permitting, investigation, remediation and removal of emissions, discharges, releases or threatened releases of Hazardous Materials into the environment or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of such Hazardous Materials.

EURODOLLAR LOAN. Any Revolving Loan bearing interest at a rate determined with reference to the Adjusted Eurodollar Rate.

EURODOLLAR SPREAD. Equal to (a) until June 30, 1994, 1.50% per annum, and (b) after June 30, 1994, the following percentages for each and every quarter in which the Company falls within the following range of ratios for the fiscal quarter then most recently ended, as certified by the chief financial officer of the Company to the Agent pursuant to Section 5.1(c), of both Indebtedness for Money Borrowed less the Fair Market Value (as hereinafter defined) of the Senior Subordinated Notes held by the Company or any of its Wholly Owned Subsidiaries (to the extent such Senior Subordinated Notes are included in the calculation of Indebtedness for Money Borrowed; but only so long as the Fair Market Value of such Senior Subordinated Notes so held is not less than 80% of the principal amount of such Senior Subordinated Notes), as of the fiscal quarter then ended to Consolidated Cash Flow less Excess Dividends ("LEVERAGE") for the prior four fiscal quarters and Consolidated EBITDA less Capital Expenditures to Consolidated Total Interest Expense ("COVERAGE") for the prior four fiscal quarters:

PERCENTAGE	LEVERAGE	COVERAGE
1.25%	greater than 2.25	greater than or equal to 4.0 to 1
1.00%	greater than 1.75 to 1	greater than or equal to less than or equal to 2.25 to 14.0 to 1
.75%	greater than 1.25 to 1	greater than or equal to less than or equal to 1.75 to 14.5 to 1
.625%	greater than 1 to 1	greater than or equal to less than or equal to 1.25 to 15.0 to 1
.50%	less than or equal to 1 to 1	greater than or equal to 5.0 to 1

PROVIDED, any such pricing shall be effective on and after receipt by the Agent of the financial statement showing such ratio. If financial statements are not received as provided in Section 5.1, the Eurodollar spread shall be 1.25% until such compliance statement is received. The term "Fair Market Value" as used herein with respect to the Senior Subordinated Notes shall mean the price for such notes quoted by PaineWebber, Inc. on the date of such calculation of the Eurodollar Spread.

EVENT OF DEFAULT. Any event described in SECTION 7.1.

EXCESS DIVIDENDS. For any fiscal period the amounts calculated under and defined in SECTION 6.7(a).

FOUR WALL CONTRIBUTION REPORT. For any retail or outlet store of the Borrower, a report of results of operations for that store taking into account gross sales, cost of goods sold and overhead expenses including rent, payroll and tenant improvements, in each case related only that store and excluding charges relating to the other operations and store locations of the Borrower.

GAAP. See SECTION 1.2.

GUARANTEES. As applied to any Person, all guarantees, endorsements or other contingent or surety obligations with respect to obligations of others whether or not reflected on the consolidated balance sheet of such Person, including any obligation to furnish funds, directly or indirectly (whether by virtue of partnership arrangements, by agreement to keep-well or otherwise), through the purchase of goods, supplies or services, or by way of stock purchase, capital contribution, advance or loan, or to enter into a contract for any of the foregoing, for the purpose of payment of obligations of any other person or entity.

HAZARDOUS MATERIAL. Any substance (i) the presence of which requires or may hereafter require notification, investigation or remediation under any Environmental Law, (ii) which is or becomes regulated as a "hazardous waste", "hazardous material," "hazardous substance," "pollutant" or "contaminant" under any present or future Environmental Law or amendments thereto including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 ET SEQ.) and any applicable local statutes and the regulations promulgated thereunder, (iii) which is toxic, explosive, corrosive, flammable, infectious, radioactive or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency or instrumentality

of any foreign country, the United States, any state of the United States, or any political subdivision thereof to the extent any of the foregoing has or had jurisdiction over the Company, or (iv) without limitation, which contains gasoline, diesel fuel or other petroleum products, asbestos or polychlorinated biphenyls.

INDEBTEDNESS. As applied to the Company and its Subsidiaries means without duplication, (i) all obligations for borrowed money or other extensions of credit whether or not secured or unsecured, absolute or contingent, including, without limitation, unmatured reimbursement obligations with respect to letters of credit or guarantees issued for the account of or on behalf of the Company and its Subsidiaries and all obligations representing the deferred purchase price of property, other than accounts payable and accrued expenses arising in the ordinary course of business, (ii) all obligations evidenced by bonds, notes, debentures or other similar instruments, (iii) all obligations secured by any mortgage, pledge, security interest or other lien on property owned or acquired by the Company or any of its Subsidiaries whether or not the obligations secured thereby shall have been assumed, PROVIDED, HOWEVER, that if the obligation secured thereby has not been assumed, the amount of such obligation deemed Indebtedness under this clause shall be equal to the lesser of the amount of such obligation and the value of the property of the Company or any of its Subsidiaries securing such obligation, (iv) that portion of all obligations arising under Capital Leases that is required to be capitalized on the consolidated balance sheet of the Company and its Subsidiaries, and (v) all Guarantees to the extent of unpaid obligations under such Guarantees.

INDEBTEDNESS FOR MONEY BORROWED. As applied to the Company and its Subsidiaries, means without duplication all Indebtedness for borrowed money or other extensions of credit, whether or not secured or unsecured, absolute or contingent, other than (i) unmatured reimbursement obligations with respect to letters of credit or guarantees, (ii) Indebtedness owing to the Company or any of its Subsidiaries from the Company or any of its Subsidiaries which Subsidiaries may, in accordance with GAAP, be consolidated with the Company for financial reporting purposes, and (iii) accounts payable and accrued expenses arising in the ordinary course of business.

INDUSTRIAL. The Industrial Bank of Japan, Limited, Los Angeles Agency.

INTEREST PERIOD.

(a) With respect to each Eurodollar Loan, the period commencing on the date of the making or continuation of or conversion to such Eurodollar Loan and ending one, two, three or six months thereafter, as the Company may elect in the applicable Notice of Borrowing or Conversion; and

(b) With respect to each Base Rate Loan, the period commencing on the date of the making of or conversion to such Base Rate Loan and ending on the date such Base Rate Loan is repaid or converted to a Eurodollar Loan;

PROVIDED that:

(ii) Any Interest Period (other than an Interest Period determined pursuant to clause (iii) below) that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless, in the case of Eurodollar Loans, such Business Day falls in the next calendar month, in which case such Interest Period shall end on the immediately preceding Business Day;

(iii) Any Interest Period applicable to a Eurodollar Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Business Day of a calendar month; and

(iv) Any Interest Period during the Revolving Credit Period that would otherwise end after the Revolving Credit Termination Date shall end on the Revolving Credit Termination Date (PROVIDED, HOWEVER, that this subsection (iii) shall not permit the Company to select an Interest Period applicable to a Eurodollar Loan which shall have an initial duration of less than one month).

INVENTORY TURNOVER. As of the last day of each fiscal quarter, the result obtained (expressed as the number of turns) by dividing (i) the total cost of sales of the Company for the four fiscal quarters then ended, determined in accordance with GAAP, by (ii) the average inventory of the Company for the four fiscal quarters then ended (calculated by adding the book value of the inventory of the Company as of the end of the most recently ended fiscal quarter to the book value of the inventory of the Company at the beginning of the measurement period and dividing the result by 2) all as determined in accordance with GAAP.

INVESTMENT. As applied to the Company and its Subsidiaries, the purchase or acquisition of any share of capital stock, partnership interest, evidence of indebtedness or other equity security of any other Person or entity, any loan, advance or extension of credit to, or contribution to the capital of, any other Person or entity, any real estate held for sale or investment (other than real property used at some point in the operations of the Company or its Subsidiaries), any commodities futures contracts held other than in connection with bona fide hedging transactions, any other investment in any other person or entity.

LENDERS. The Agent, the Co-Agent, Industrial, Lyonnais, Sumitomo and each other entity which acquires an interest pursuant to SECTION 9.8(i) of this Agreement.

LENDER'S PERCENTAGE. The percentage of all Loans and Letter of Credit risk and income taken by each of the Lenders as set forth on EXHIBIT J hereto as it may be adjusted from time to time pursuant to the terms hereof.

LETTERS OF CREDIT. Documentary Letters of Credit or Standby Letters of Credit issued by the Agent for the account of the Company, subject to the terms of SECTION 2.16 hereof.

LETTER OF CREDIT AGREEMENT. Any of the one or more agreements by and between the Agent and the Company providing for the issuing and administering of Letters of Credit, together with any replacements, extensions, modifications or amendments thereto substantially in the forms appended hereto as EXHIBIT H and EXHIBIT I.

LETTER OF CREDIT SUBLIMIT. The sum of the outstanding amount of all Letters of Credit, which shall not exceed $20,000,000 at any time.

LOAN. A loan made to the Company by the Lenders pursuant to SECTION 2.1 of this Agreement, and "Loans" means all of such loans, collectively.

LOAN DOCUMENTS. Collectively, this Agreement, the Notes, the Security Agreement, any Letters of Credit, any Letter of Credit Agreement and any guaranties or other document required by any such Loan Document together with any amendments, modifications or replacements thereto.

LYONNAIS. Credit Lyonnais Los Angeles Branch.

MAJORITY LENDERS. Lenders representing, in the aggregate, not less than 51% of the outstanding principal amount of the Loans and Letters of Credit, but in no event (other than if there is only one Lender) less than two Lenders.

NEWTIMES GUESS. Newtimes Guess ?, Limited. a corporation owned 100% by the Newtimes Guess Parent.

NEWTIMES GUESS PARENT. Newtimes Guess ?, Limited. a corporation owned 50% by the Guess? Europe, B.V. and 50% by Indigo Consultants, Ltd.

NOTES. Promissory notes issued to each of the Lenders in respect of their respective Lender's Percentage of the Commitment Amount, substantially in the form of EXHIBIT A hereto, evidencing the obligations of the Company to the Lenders to repay the Loans.

NOTICE OF BORROWING OR CONVERSION. See SECTION 2.2.

OBLIGATIONS. Any and all obligations of the Company to the Lenders of every kind and description arising under the Loan Documents, whether direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising, and including obligations to perform acts and refrain from taking action as well as obligations to pay money.

OPERATING LEASE. Any lease of property (whether real, personal or mixed) which should, in accordance with GAAP, be accounted for as an operating lease of the Company or any Subsidiary of the Company.

PBGC. The Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

PERMITTED ENCUMBRANCES. See SECTION 6.4.

PERSON. Any entity, whether an individual, trustee, corporation, general partnership, limited partnership, limited liability company, limited liability partnership, joint stock company, trust, estate, unincorporated organization, business association, tribe, firm, joint venture, governmental agency or otherwise.

PLAN. At any time, an employee pension or other benefit plan that is subject to Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by the Company or any member of the Controlled Group for employees of the Company or any member of the Controlled Group, or (ii) if such Plan is established, maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Company or any member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five Plan years made contributions.

QUALIFIED INVESTMENTS. As applied to the Company and its Subsidiaries, investments in (i) notes, bonds or other obligations of the United States of America or any agency thereof that as to principal and interest constitute direct obligations of or are guaranteed by the United States of America; (ii) certificates of deposit or other deposit instruments or accounts of banks or trust companies organized under the laws of the United States or any state thereof that have capital and surplus of at least $100,000,000, (iii) commercial paper that is rated not less than prime-one or A-1 or their equivalents by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively, or their successors, and (iv) any repurchase agreement secured by any one or more of the foregoing.

REDEEMABLE CAPITAL STOCK. Any Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to any stated maturity of the principal of such Capital Stock or is redeemable at the option of the holder thereof at any time prior to any such stated maturity, or is convertible into or exchangeable for debt securities at any time prior to any such stated

maturity at the option of the holder thereof.

REVOLVING CREDIT PERIOD. The period beginning on the date of this Agreement and extending through and including the Revolving Credit Termination Date or such earlier date on which the commitment to make Revolving Loans is terminated or the Commitment Amount is reduced to zero in accordance with the terms hereof.

REVOLVING CREDIT TERMINATION DATE. December 31, 1999; PROVIDED, HOWEVER, that at the second anniversary of the Agreement and each anniversary thereafter, the Company may request that the Agent and the Lenders extend the Revolving Credit Termination Date of the facility hereunder by an additional year and if all of the Lenders hereto so agree, "Revolving Credit Termination Date" shall mean that date which is one year after the date which was the "Revolving Credit Termination Date" immediately prior to the parties' agreement to change such date. The Agent and Lenders shall have the right in their sole discretion to grant such request and shall not receive a fee in connection with any such extension provided that there are no material modifications to the Loan Documents in connection with such extension.

REVOLVING LOANS. The Loans made to the Company pursuant to SECTION 2.1(a) of this Agreement.

SECURITY AGREEMENT. The security agreement dated as of the date hereof executed by the Company in favor of the Agent, as the same may be amended, supplemented or otherwise modified from time to time.

STANDBY LETTER OF CREDIT. A Letter of Credit issued on behalf of the Company to secure payment of an obligation to any Person; PROVIDED such Letter of Credit is not generally drawable until such time as there is a failure to perform an obligation due the beneficiary of the Letter of Credit in accordance with the terms of the underlying agreement secured by such Letter of Credit.

SUBORDINATED INDEBTEDNESS. Indebtedness, the payment of principal of and interest on which is expressly subordinated in right of payment of the Obligations, in form and on terms approved by the Majority Lenders in writing, and specifically including the 9 1/2% Senior Subordinated Notes due 2003 and the 9 1/2% Series B Senior Subordinated Notes due 2003 (collectively the "SENIOR SUBORDINATED NOTES") issued by the Company pursuant to an indenture dated as of August 23, 1993 with First Trust National Association, as Trustee, PROVIDED that any Indebtedness which is subordinated to the Obligations in a manner which is substantially identical to the manner in which the Senior Subordinated Notes are subordinated to the Obligations shall be Subordinated Indebtedness hereunder without the prior written consent of the Majority Lenders.

SUBSIDIARY. Any corporation, association, joint stock company, business trust or other similar organization of which 50% or more of the ordinary voting power for the election of a majority of the members of the board of directors or other governing body of such entity is held or controlled by the Company or a Subsidiary of the Company; or any other such organization the management of which is directly or indirectly controlled by the Company or a Subsidiary of the Company through the exercise of voting power or otherwise; or any joint venture, whether incorporated or not, in which the Company has a 50% ownership interest. Notwithstanding the forgoing, each of Newtimes Guess Parent and Newtimes Guess shall not be a Subsidiary unless Guess Europe, B.V. at anytime owns more than 50% of the shares or ownership interests in Newtimes Guess Parent.

SUMITOMO. Sumitomo Bank of California.

SWAP AGREEMENT. One or more written agreements between the Company and one or more financial institutions providing for "swap," "cap," "collar" or other interest rate protection with respect to any Indebtedness.

TAXES. See SECTION 2.20.

WHOLLY-OWNED SUBSIDIARY. Any Subsidiary of which 100% of the ordinary voting power (other than voting power held by a person holding only directors' qualifying shares) for the election of a majority of the members of the board of directors of or other governing body of such entity is held or controlled by the Company, or a joint venture, organization or other association, whether incorporated or not, in which the Company has a 100% ownership interest.

ACCOUNTING TERMS. All terms of an accounting character shall have the meanings assigned thereto by generally accepted accounting principles in effect from time to time applied on a basis consistent with the financial statements referred to in SECTION 4.6 of this Agreement ("GAAP"), modified to the extent, but only to the extent, that such meanings are specifically modified herein. In the event that GAAP changes during the term of this Agreement such that the financial covenants contained herein would then be calculated in a different manner or with different components or would render the same not meaningful criteria for evaluating the Company's financial condition, (a) the Company and the Lenders agree to negotiate in good faith in order to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating the Company's financial condition to substantially the same criteria as were effective prior to such change in GAAP, and (b) during the period pending negotiation of such amendments, the Company shall be deemed to be in compliance with the financial covenants contained herein following any such change in GAAP if and to the extent that the Company would have been in compliance therewith under GAAP as in effect immediately prior to such change.

2 - DESCRIPTION OF CREDIT

.1. THE LOANS.

(a) Subject to the terms and conditions hereof, the Lenders will make Revolving Loans to the Company, from time to time until the close of business on the Revolving Credit Termination Date, in such sums as the Company may request, PROVIDED that the aggregate principal amount of all Loans plus the outstanding amount of all Letters of Credit at any one time outstanding hereunder shall not exceed the Commitment Amount. The Company may borrow, prepay pursuant to SECTION 2.12 and reborrow, from the date of this Agreement until the Revolving Credit Termination Date, the full amount of the Commitment Amount or any lesser sum that is at least $500,000 and an integral multiple of $100,000. Any Revolving Loan not repaid by the Revolving Credit Termination Date shall be due and payable on the Revolving Credit Termination Date.

(b) The Company may convert all or any part (in integral multiples of $100,000) of any outstanding (i) Eurodollar Loan into a Base Rate Loan at any time, and (ii) a Base Rate Loan into a Eurodollar Loan, each in the same aggregate principal amount, on any Business Day (which, in the case of

a conversion of a Eurodollar Loan, shall be the last day of the Interest Period applicable to such Eurodollar Loan). The Company shall give the Agent prior notice of each such conversion (which notice shall be effective upon receipt) in accordance with SECTION 2.2.

(c) The proceeds of the Revolving Loans shall be used by the Company exclusively for working capital purposes, EXCEPT THAT, up to

$75,000,000 (reduced as provided in SECTION 5.13) of the Commitment Amount may be used, in the aggregate, to repurchase some or all of the Senior Subordinated Notes, PROVIDED that the Company shall demonstrate that it will comply with provisions of SECTIONS 5.13 AND 6.8 (xiv) of this Agreement.

.2. NOTICE AND MANNER OF BORROWING OR CONVERSION OF LOANS. (a) Whenever the Company desires to obtain or continue a Loan hereunder or convert an outstanding Loan into a Loan of another type provided for in this Agreement, the Company shall notify the Agent (which notice shall be irrevocable) by facsimile, telex, telegraph or telephone received no later than 1:00 p.m. Boston time on the day on which the requested Loan is made or continued as or converted to a Base Rate Loan, and received no later than 3:00 p.m. Boston time on the date three Business Days before the day on which the requested Loan is to be made or continued as or converted to a Eurodollar Loan. Such notice shall specify (i) the effective date and amount of each Loan or portion thereof to be continued or converted, subject to the limitations set forth in SECTION 2.1, (ii) the interest rate option to be applicable thereto, and (iii) the duration of the applicable Interest Period, if any (subject to the provisions of the definition of Interest Period and SECTION 2.7). Each such notification (a "NOTICE OF BORROWING OR CONVERSION") shall be immediately followed by a written confirmation thereof by the Company in substantially the form of EXHIBIT B hereto, PROVIDED that if such written confirmation differs in any material respect from the action taken by the Agent, the records of the Agent shall control absent manifest error.

(a) Subject to the terms and conditions hereof, each of the Lenders shall make such Lender's Lender's Percentage of each Loan on the effective date specified therefor by delivering good funds to the Agent in the amount of such Lender's Percentage of such Loan in accordance with SECTION 8.3 hereto. The Agent shall then credit the amount of such Loan to the Company's designated demand deposit account in immediately available funds as provided in SECTION 8.3 hereof.

.3. AGENT'S FEE. The Agent shall have received the Agent's Fee which is payable at closing from the Company. The Company shall pay the Agent's Fee to the Agent on each anniversary of this Agreement as long as this Agreement is in effect. The Agent's Fee is not refundable or subject to proration.

.4. COMMITMENT FEE. The Company shall pay to the Agent for the benefit of the Lenders during the Revolving Credit Period a commitment fee (the "COMMITMENT FEE") computed at the rate of 0.25% per annum on the average daily amount of the unborrowed portion of the Commitment Amount less the average daily amount of the outstanding amount of Standby Letters of Credit during each quarter or portion thereof. Commitment fees shall be payable quarterly in arrears, on the last Business Day of each of March, June, September and December of each year and on the last day of the Revolving Credit Period.

.5. REDUCTION OF COMMITMENT AMOUNT. The Company may from time to time by written notice delivered to the Agent at least five Business Days prior to the date of the requested reduction, reduce by integral multiples of $1,000,000 any unborrowed portion of the Commitment Amount. No reduction of the Commitment Amount shall be subject to reinstatement.

.6. THE NOTES.

(a) The Loans shall be evidenced by the Notes, payable to the order of each Lender in its Lender's Percentage and having a final maturity of December 31, 1999. The Notes shall be dated on or before the date of the first Loan and shall have the blanks therein appropriately completed.

(b) Each Lender shall, and is hereby irrevocably authorized by the Company to, enter on the schedule forming a part of each Note or otherwise in its records appropriate notations evidencing the date and the amount of each Loan, the interest rate applicable thereto and the date and amount of each payment of principal made by the Company with respect thereto; and in the absence of manifest error, such notations shall constitute conclusive evidence thereof. Each Lender is hereby irrevocably authorized by the Company to attach to and make a part of each Note a continuation of any such schedule as and when required. No failure on the part of any Lender to make any notation as provided in this subsection (b) shall in any way affect any Loan or the rights or obligations of the Lenders or the Company with respect thereto.

.7. DURATION OF INTEREST PERIODS.

(a) Subject to the provisions of the definition of Interest Period, the duration of each Interest Period applicable to a Loan shall be as specified in the applicable Notice of Borrowing or Conversion. The Company shall have the option to elect a subsequent Interest Period to be applicable to such Loan by giving notice of such election to the Agent received no later than 2:00 p.m. Boston time on the date one Business Day before the end of the then applicable Interest Period if such Loan is to be converted to a Base Rate Loan and three Business Days before the end of the then applicable Interest Period if such Loan is to be continued as or converted to a Eurodollar Loan.

(b) If the Agent does not receive a notice of election of duration of an Interest Period for a Eurodollar Loan pursuant to subsection (a) above within the applicable time limits specified therein, the Company shall be deemed to have elected to convert such Loan in whole into a Base Rate Loan on the last day of the then current Interest Period with respect thereto.

(c) Notwithstanding the foregoing, the Company may not select an Interest Period that would end, but for the provisions of the definition of Interest Period, after the Revolving Credit Termination Date.

.8. INTEREST RATES AND PAYMENTS OF INTEREST.

(a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof at a rate per annum equal to the Base Rate, which rate shall change contemporaneously with any change in the Base Rate. Such interest shall be payable on the last day of each month, and when such Loan is due (whether at maturity, by reason of acceleration or otherwise).

(b) Each Eurodollar Loan shall bear interest on the outstanding principal amount thereof, for each Interest Period applicable thereto, at a rate per annum equal to the Adjusted Eurodollar Rate plus the applicable Eurodollar Spread. Such interest shall be payable for such Interest Period on the last day thereof and when such Eurodollar Loan is due (whether at maturity, by reason of acceleration or otherwise) and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof.

.9. CHANGED CIRCUMSTANCES.

(a) In the event that:

(ii) on any date on which the Adjusted Eurodollar Rate would otherwise be set, the Agent shall have determined in good faith (which determination shall be final and conclusive) that adequate and fair means do not exist for ascertaining the Interbank Offered Rate, or

(iii) at any time the Agent shall have determined after consultation with the Lenders and in good faith (which determination shall be final and conclusive) that:

(A) the making or continuation of or conversion of any Loan to a Eurodollar Loan has been made impracticable or unlawful by (l) the occurrence of a contingency that materially and adversely affects the interbank Eurodollar market, or (2) compliance by the Lenders or any of them in good faith with any applicable law or governmental regulation, guideline or order or interpretation or change thereof by any governmental authority charged with the interpretation or administration thereof or with any request or directive of any

such governmental authority (whether or not having the force of law); or

(B) the Adjusted Eurodollar Rate shall no longer represent the effective cost to the Lenders or any of them for U.S. dollar deposits in the interbank market for deposits in which they regularly participate;

then, and in any such event, the Agent shall forthwith so notify the Company thereof. Until the Agent notifies the Company that the circumstances giving rise to such notice no longer apply, the obligation of the Lenders to allow selection by the Company of Eurodollar Loans shall be suspended. If at the time the Agent so notifies the Company and the Company has previously given the Agent a Notice of Borrowing or Conversion with respect to one or more Eurodollar Loans but such Loans have not yet gone into effect, such notification shall be deemed to be void and the Company may borrow Loans at the Base Rate pursuant to SECTION 2.2 hereof.

Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given) the Company shall, with respect to the outstanding Eurodollar Loans, prepay the same, together with interest thereon and any amounts required to be paid pursuant to SECTION 2.15, and may borrow a Loan at the Base Rate in accordance with SECTION 2.1 hereof by giving a Notice of Borrowing or Conversion pursuant to SECTION 2.2 hereof.

.10. INCREASED COSTS. Except in the case of any increased cost attributable to the imposition of taxes as to which the Company's liability therefor is governed by SECTION 2.20, if any change in any law, regulation, treaty or official directive or the interpretation or application thereof by any court or by any governmental authority charged with the administration thereof or the compliance with any guideline or request of any central bank or other governmental authority (whether or not having the force of law) which becomes effective after the date hereof and (i) which change did not occur prior to the date hereof (in the case of any law, regulation, treaty or official directive or interpretation or application thereof), or (ii) which guideline or request was not issued or published prior to the date hereof:

(a) imposes, modifies or deems applicable any deposit insurance, reserve, special deposit or similar requirement against assets held by, or deposits in or for the account of, or loans by, the Agent or any of the Lenders (other than such requirements as are already included in the determination of the Adjusted Eurodollar Rate), or

(b) imposes upon the Agent or any of the Lenders any other condition with respect to its performance under this Agreement,

and the result of any of the foregoing is to increase the cost to the Agent or any of the Lenders, reduce the income receivable by the Agent or any of the Lenders or impose any expense upon the Agent or any of the Lenders with respect to any Loans, then the Company agrees to pay to the Agent on behalf

of the Affected Party the amount of such increase in cost, reduction in income or additional expense as and when such cost, reduction or expense is incurred or determined, within five (5) Business Days of the presentation by the Lender of a

statement of such amount and setting forth in reasonable detail the Affected Party's calculation thereof, which statement shall be deemed true and correct absent manifest error.

.11. CAPITAL REQUIREMENTS. Except in the case of any increased cost attributable to the imposition of taxes as to which the Company's liability therefor is governed by SECTION 2.20, if after the date hereof the Agent determines that (i) the adoption of or change in any law, rule, regulation or guideline regarding capital requirements for banks or bank holding companies, or any change in the interpretation or application thereof by any governmental authority charged with the administration thereof which becomes effective after the date hereof and which adoption or change did not occur prior to the date hereof as of the date hereof, or (ii) compliance by the Agent or any of the Lenders or their respective parent bank holding companies with any guideline, request or directive of any such governmental authority regarding capital adequacy (whether or not having the force of law) which becomes effective after the date hereof and which was not issued or published (in the case of any guideline or request) as of the date hereof, has the effect of reducing the return on any of the Lender's or such holding company's capital as a consequence of the Lender's respective commitment to make Loans hereunder to a level below that which such Lender or such holding company could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such holding company's then existing policies with respect to capital adequacy and assuming the full utilization of such entity's capital) by any amount deemed by such Lender to be material, then the Agent shall notify the Company thereof. The Company agrees to pay to the affected Lender, as the case may be, the amount of such reduction of the return on capital as and when such reduction is determined, within five (5) Business Days of presentation by the Lender of a statement of such amount and setting forth in reasonable detail the affected Lender's calculation thereof, which statement shall be deemed true and correct absent manifest error. In determining such amount, the affected Lender may use any reasonable averaging and attribution methods.

.12. PREPAYMENTS OF THE LOANS. Revolving Loans that are Eurodollar Loans may be prepaid at any time upon three Business Days' notice and the payment of any amount due pursuant to SECTION 2.15 as a result of such prepayment. Revolving Loans that are Base Rate Loans may be prepaid at any time, without premium or penalty. Any interest accrued on the amounts so prepaid to the date of such payment must be paid at the time of any such payment. No prepayment of the Revolving Loans during the Revolving Credit Period shall affect the Commitment Amount or impair the Company's right to borrow as set forth in SECTION 2.1.

.13. METHOD OF PAYMENT. All payments and prepayments of principal and all payments of interest shall be made by the Company to the Agent, on behalf of the Lenders, at the Agent's address set forth above in immediately available funds, on or before 2:00 p.m. (Boston time) on the due date thereof, free and clear of, and without any deduction or withholding for, any taxes or other payments. The Agent may, and the Company hereby authorizes the Agent to, debit the amount of any payment not made by such time to the demand deposit account of the Company with the Agent or any of the Lenders.

.14. OVERDUE PAYMENTS AND DEFAULT RATE. Overdue, and after the occurrence of and during the continuance of an Event of Default at the

direction of the Majority Lenders all, principal (whether at maturity, by reason of acceleration or otherwise) and, to the extent permitted by applicable law, overdue, and after the occurrence of and during the continuance of an Event of Default at the direction of the Majority Lenders, interest and fees or any other amounts payable hereunder or under the Notes shall bear interest from and including the due date thereof until paid, compounded daily and payable on demand, at a rate per annum equal to (i) if such event occurs prior to the end of an Interest Period, 2% above the interest rate applicable to such Loan for such Interest Period until the expiration of such Interest Period, and thereafter, 2% above the Base Rate, and (ii) in all other cases, 2% above the rate then applicable to Base Rate Loans, which interest shall be compounded daily and payable on demand.

.15. PAYMENTS NOT AT END OF INTEREST PERIOD. If the Company makes any payment of principal with respect to any Eurodollar Loan pursuant to SECTION 2.12 on any day other than the last day of an Interest Period applicable to such Eurodollar Loan, or fails to borrow or continue or convert to a Eurodollar Loan after giving a Notice of Borrowing or Conversion pursuant to SECTION 2.2, the Company shall pay to the Agent, for the benefit of the Lenders, an amount computed pursuant to the following formula:

$$L = \frac{(R - T) \times P \times D}{360}$$

L	=	amount payable to the Lenders
R	=	Adjusted Eurodollar Rate applicable to such Loan
T	=	effective interest rate per annum at which any readily marketable bond or other obligation of the United States, selected at the Agent's sole discretion, maturing on or near the last day of the then applicable Interest Period of such Loan and in approximately the same amount as such Loan can be purchased by the Agent on the day of such payment of principal or failure to borrow or continue or convert
P	=	the amount of principal prepaid or the amount of the requested Loan
D	=	the number of days remaining in the Interest Period as of the date of such payment or the number of days of the requested Interest Period

The Company shall pay such amount upon presentation by the Agent of a statement setting forth the amount and the Agent's calculation thereof pursuant hereto, which statement shall be deemed true and correct absent manifest error.

.16. ISSUANCE OF LETTERS OF CREDIT.

(a) At the request of the Company and provided no Event of Default or Default shall have occurred and is continuing, the Agent (from time to time prior to the Revolving Credit Termination Date) shall issue one or more Letters of Credit; PROVIDED, HOWEVER, (i) the outstanding and undrawn amount of all Letters of Credit, including the requested Letter of Credit, plus all outstanding Loans shall not exceed the Commitment Amount, (ii) the Company shall make application for issuance of any such Letters of Credit by execution of a Letter of Credit Agreement, (iii) the maturity date of any Letters of Credit shall not extend beyond the Revolving Credit Termination Date, and (iv) no Documentary Letter of Credit may have a term of greater than 180 days.

(b) In connection with this Agreement, the fees due and payable to the Agent for (i) opening Documentary Letters of Credit shall be 0.125% of the face amount thereof, but in no event less than $60.00, and shall be payable upon such opening, (ii) negotiating Documentary Letters of Credit shall be an additional 0.125% of the face amount thereof, but in no event less than $60.00, and shall be payable upon such negotiation,

and (iii) issuing Standby Letters of Credit shall be payable quarterly in arrears at the Eurodollar Spread then in effect as a percent per annum of the face amount thereof. The foregoing fees shall also be payable in connection with any increase in the face amount of a Letter of Credit, in which case the respective percentages shall be applied only to the incremental increase in the face amount of such Letters of Credit.

(c) After the issuance of each Letter of Credit pursuant to SECTION 2.16(a), the Agent shall notify each of the Lenders of the issuance of one or more Letters of Credit. The Letters of Credit shall be shared ratably on a risk and income participation basis by each of the Lenders, except that (i) all application and processing fees payable in connection with any Letters of Credit shall be paid to and retained by the Agent, and (ii) the Agent shall retain (A) all fees paid under Documentary Letters of Credit as its fee for issuing such Documentary Letters of Credit and (B) one-quarter percent per annum of the face amount of all Standby Letters of Credit, but in no event less than $250.00, as its exclusive fee for issuing such Standby Letters of Credit.

(d) The Agent shall not issue any Letter of Credit which would cause the outstanding amount of Letters of Credit to exceed the Letter of Credit Sublimit.

.17. PAYMENTS UNDER LETTERS OF CREDIT AND REIMBURSEMENT BY THE COMPANY. In the event of a drawing under any Letters of Credit and payment by the Agent therefor (as the case may be), the Agent shall promptly notify the Company of such drawing and the amount and date of such drawing and in the event that the Company has not either paid or caused to be paid the amount thereof to the Agent, the Company authorizes the Agent to make a Base Rate Loan in the amount of such drawing and all fees and charges related thereto to reimburse the Agent and the Lenders for such drawing. If such drawing is made after an Event of Default has occurred and is continuing, the Company shall immediately reimburse the Agent for the amount of the drawing plus all fees and charges related thereto, together with interest on the amount of such payment from the date of such payment by the Agent through and including the date of such reimbursement at the rate as set forth in SECTION 2.14. Notwithstanding the foregoing, the Company shall pay the Agent all fees as set forth in SECTION 2.16 due under any Letter of Credit when the same are payable. Failure to make such payment shall be the failure to pay an Obligation hereunder.

.18. OUTSTANDING LETTERS OF CREDIT AND EVENT OF DEFAULT. Upon an Event of Default and a demand for payment of any Loan, any sum collected from the Company (including, without limitation, by setoff or banker's lien) or the Collateral over and above the Obligations for Loans, interest, fees, charges and drawings under Letters of Credit, up to the amount of any undrawn Letters of Credit and any related fees, shall be held by the Agent in an interest bearing account for the ratable benefit of the Lenders as collateral against the obligation to pay such Letters of Credit in the event of any draw with respect thereto. The Agent shall return to the Company amounts deposited with it pursuant to this SECTION 2.18 (and any and all interest earned thereon) promptly upon the expiration or cancellation of any and all Letters of Credit in an amount equal to the amount of each such expired or cancelled Letter of Credit.

.19. COMPUTATION OF INTEREST AND FEES. Interest and all fees payable hereunder shall be computed daily on the basis of a year of 360 days and paid for the actual number of days elapsed. If the due date for any payment of principal is extended by operation of law, interest shall be payable for such extended time. If any payment required by this Agreement becomes due on a day that is not a Business Day such

payment may be made on the next succeeding Business Day (subject to clause (i) of the definition of Interest Period), and such extension shall be included in computing interest in connection with such payment.

.20. PAYMENT FREE OF TAXES. To the extent permitted by applicable law, any payments made by the Company under any of the Loan Documents shall be made free and clear of, and without reduction by reason of, any tax, assessment or other charge imposed by the United States of America or any political subdivision or taxing authority thereof or therein ("TAXES"), PROVIDED, HOWEVER, that Taxes shall not include taxes (whether imposed directly or by means of withholdings) imposed on or measured by (i) the overall net income of any Lender by the United States of America or any political subdivision or taxing authority thereof or therein, or (ii) gross receipts generally applicable to banks. To the extent that the Company is obligated by applicable laws to make any deduction or withholding on account of Taxes from any amount payable to any Lender under this Agreement, the Company shall (a) make such deduction or withholding and pay the

same to the relevant governmental agency, and (b) pay such additional amount to that Lender as is necessary to result in that Lender's receiving a net after-tax (or after-assessment or after-charge) amount equal to the amount to which that Lender would have been entitled under this Agreement absent such deduction or withholding. If and when receipt of such payment results in an excess payment credit to that Lender on account of such Taxes, that Lender shall refund such excess to the Company. Each Lender that is incorporated under the laws of a jurisdiction other than the United States of America or any state thereof shall deliver to the Company, with a copy to the Agent, within twenty days after such Lender becomes a Lender hereunder, a certificate signed by a duly authorized official of that Lender to the effect that such Lender is entitled to receive payments of interest and other amounts payable under this Agreement without deduction or withholding on account of United States of America federal income taxes, which certificate shall be accompanied by (x) two copies of Internal Revenue Service Form 1001 or Form 4224, as applicable, duly executed by a duly authorized official of that Lender accurate and complete in all material respects and indicating such Lender's complete exemption from United States withholding taxes, and (y) other appropriate evidence supporting such exemption from withholding taxes as the Company may reasonably request; PROVIDED that if any such Lender fails to so provide such a certificate with such accompanying Form or other reasonably requested evidence of exemption from withholding or if such certificate or such Form contains a material error or a materially false representation by such Lender, then such Lender shall not be entitled to the benefits of this SECTION 2.20 until such failure or misrepresentation or error is cured. Each such Lender agrees (i) promptly to notify the Company if any fact set forth in such certificate ceases to be true and correct, (ii) to take such steps as may be reasonably necessary to (x) maintain all exemptions available to it from United States withholding taxes, and (y) avoid any requirement of applicable laws that the Company make any deduction or withholding for taxes from amounts payable to that Lender under this Agreement, and (iii) otherwise cooperate with the Company to minimize any amounts payable by the Company under this SECTION 2.20.

PROVISIONS APPLICABLE TO CERTAIN PAYMENTS. Each Lender (an "AFFECTED PARTY") shall promptly notify the Company, with a copy to the Agent, upon becoming aware that the Company may be required to make any payment to such Affected Party pursuant to SECTIONS 2.10, 2.11 or 2.20. Before the Affected Party gives any notice to the Company pursuant to this SECTION 2.21, the Affected Party shall, if possible, designate a different lending office if such designation will avoid the need for giving such notice and will not, in the reasonable judgment of such Affected Party, be otherwise materially disadvantageous to such Affected

Party. When requesting payment pursuant to SECTIONS 2.10, 2.11, or 2.20, each Affected Party shall provide to the Company, with a copy to the Agent, a certificate, signed by an officer of such Affected Party, setting forth the amount required to be paid by the Company to such Affected Party and the computations made by such Affected Party to determine such amount. Upon a request for any additional payment under SECTIONS 2.10, 2.11 or 2.20, the Affected Party requesting such payment shall certify to the Company that such requested payment represents a payment requested of all similarly situated borrowers from such Affected Party and that the Affected Party has taken reasonable steps to mitigate or avoid the condition requiring such additional payment.

3 - CONDITIONS OF LOANS

.1. CONDITIONS PRECEDENT TO INITIAL LOAN. The obligation of the Lenders to make the initial Loan hereunder is subject to the condition precedent that the Agent shall have received, in form and substance satisfactory to the Agent and its counsel, the following:

(a) this Agreement, the Security Agreement and the Notes, duly executed by the Company;

(b) a certificate of the Secretary or an Assistant Secretary of the Company with respect to resolutions of the Board of Directors authorizing the execution and delivery of this Agreement, the Security Agreement and the Notes and identifying the officer(s) authorized to execute, deliver and take all other actions required under this Agreement, and providing specimen signatures of such officers;

(c) the certificate of incorporation of the Company and all amendments and supplements thereto, filed in the office of the Secretary of State of Delaware, each certified by said Secretary of State of Delaware as being a true and correct copy thereof;

(d) the Bylaws of the Company and all amendments and supplements thereto, certified by the Secretary or an Assistant Secretary of the Company as being a true and correct copy thereof;

(e) a certificate of the Secretary of State of Delaware, as to legal existence and good standing and tax good standing in such state and listing all documents on file in the office of said Secretary of State;

(f) a legal opinion addressed to it from in-house counsel to the Company, substantially in the form of EXHIBIT G hereto;

(g) certificates of foreign qualification and good standing, including tax good standing, from the State of California and such other states as are appropriate;

(h) UCC Financing Statements, duly executed and in form and number sufficient to perfect the Agent's and Lender's security interest in the Collateral or evidence that such Financing Statements are already on file in each jurisdiction and office necessary to so perfect such security interests; and

(i) such other documents, and completion of such other matters, as counsel for the Agent and Lenders may deem necessary or appropriate.

.2. CONDITIONS PRECEDENT TO ALL LOANS. The obligations of the Lenders to make each Loan, including the initial Loan, or convert Loans to Loans of another type, is further subject to the following conditions:

(a) timely receipt by the Agent of the Notice of Borrowing or

Conversion as provided in SECTION 2.2;

(b) the representations and warranties contained in SECTION 4 shall be true and accurate in all material respects on and as of the date of such Notice of Borrowing or Conversion and on the effective date of the making or conversion of each Loan as though made at and as of each such date (except to the extent that such representations and warranties expressly relate to an earlier date), and no Default or Event of Default shall have occurred and be continuing, or would result from such Loan;

(c) the resolutions referred to in SECTION 3.1(B) shall remain in full force and effect; and

(d) no change shall have occurred in any law or regulation or interpretation thereof that, in the opinion of counsel for the Agent and Lenders, would make it illegal or against the policy of any governmental agency or authority with jurisdiction over the Agent or the Lenders to make Loans hereunder.

The making or conversion of each Loan shall be deemed to be a representation and warranty by the Company on the date of the making, continuation or conversion of such Loan as to the accuracy of the facts referred to in subsection (b) of this SECTION 3.2.

4 - REPRESENTATIONS AND WARRANTIES

In order to induce the Agent and the Lenders to enter into this Agreement and to make Loans hereunder, the Company represents and warrants to the Agent and the Lenders that:

.1. ORGANIZATION AND QUALIFICATION. Each of the Company and its Subsidiaries, if any, (a) is a corporation duly organized, validly existing and in good standing and tax good standing under the laws of its jurisdiction of incorporation, (b) has all requisite corporate power and authority to own its property and to conduct its business as now conducted and as presently contemplated, and (c) is duly qualified and in good standing as a foreign corporation and is duly authorized to do business in each jurisdiction where the nature of its properties or business requires such qualification, except where the failure to be so qualified or in good standing would not have a material adverse effect on the business, financial condition, assets or properties of the Company or of the Company and its Subsidiaries, if any, taken as a whole.

.2. CORPORATE AUTHORITY. The execution, delivery and performance of the Loan Documents and the transactions contemplated hereby are within the corporate power and corporate authority of the Company and have been authorized by all necessary corporate proceedings, and do not and will not (a) require any consent or approval of the stockholders of the Company, (b) contravene any provision of the charter documents or by-laws of the Company or any material law, rule or regulation applicable to the Company, (c) contravene any provision of, or constitute an event of default or event that, but for the requirement that time elapse or notice be given, or both, would constitute an event of default under, any other material agreement, instrument, order or undertaking binding on the

Company, or (d) result in or require the imposition of any Encumbrance on any of the material properties, assets or rights of the Company, other than the Encumbrances contemplated and created by the Security Agreement.

.3. VALID OBLIGATIONS. The Loan Documents and all of their respective terms and provisions are the legal, valid and binding obligations of the Company, enforceable in accordance with their respective terms except as limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally, and except as the remedy of specific performance or of injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

.4. CONSENTS OR APPROVALS. The execution, delivery and performance of the Loan Documents and the transactions contemplated therein do not require any approval or consent of, or filing or registration with, any governmental or other agency or authority, other than Uniform Commercial Code financing statements.

.5. TITLE TO PROPERTIES; ABSENCE OF ENCUMBRANCES. Each of the Company and its Subsidiaries, if any, has good title to all of the material properties, assets and rights of every name and nature now purported to be owned by it, including, without limitation, such properties, assets and rights as are reflected in the financial statements referred to in SECTION 4.6 (except such properties, assets or rights as have been disposed of in the ordinary course of business since the date thereof), free from all Encumbrances except Permitted Encumbrances or those Encumbrances disclosed in EXHIBIT C hereto, and, except as so disclosed, free from all defects of title that are reasonably expected to have a material adverse effect on such properties, assets or rights, taken as a whole.

.6. CHANGES. Since the date of the most recent financial statements delivered in accordance with SECTION 5.1, there have been no changes in the assets, liabilities, financial condition or business of the Company or any of its Subsidiaries, if any, other than changes, the effect of which has not, in the aggregate, been materially adverse.

.7. DEFAULTS. As of the date of this Agreement, no Default exists.

.8. TAXES. The Company and each Subsidiary, if any, have filed all material federal, state and other tax returns required to be filed, and all material taxes, assessments and other governmental charges due from the Company and each Subsidiary, if any, have been fully paid, except for any such taxes, assessments, or other governmental charges being contested in good faith by appropriate proceedings. The Company and each Subsidiary, if any, have established on their books reserves adequate for the payment of all federal, state and other tax liabilities.

.9. LITIGATION. As of the date of this Agreement and except as set forth on EXHIBIT D hereto, there is no litigation, arbitration, proceeding or investigation pending, or, to the knowledge of the Company's or any Subsidiary's officers or directors, threatened, against the Company or any Subsidiary that could result in a material judgment not fully covered by insurance and which could reasonably be expected to have a material adverse effect on the assets or business of the Company and its Subsidiaries, taken as a whole.

.10. USE OF PROCEEDS. No portion of any Loan is to be used for the "purpose of purchasing or carrying" any "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. 221 and 224, as amended.

.11. SUBSIDIARIES. As of the date of this Agreement, all the Subsidiaries of the Company are listed on EXHIBIT E hereto. The Company or a Subsidiary of the Company is the owner, free and clear of all liens and encumbrances, of all such stock of each Subsidiary owned by the Company or such Subsidiary. All shares of such stock have been validly issued and are fully paid and nonassessable, and no rights to subscribe for any additional shares have been granted, and no options, warrants or similar rights are

outstanding.

.12. INVESTMENT COMPANY ACT. Neither the Company nor any of its Subsidiaries, if any, is an "investment company" or a company "controlled" by an "investment company" (as each such term is defined or used in the Investment Company Act of 1940, as amended).

.13. COMPLIANCE WITH ERISA. The Company and each member of the Controlled Group have fulfilled their obligations, if any, under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the applicable provisions of ERISA and the Code, and have not incurred any liability to the PBGC or a Plan under Title IV of ERISA, and no "prohibited transaction" or "reportable event" (as such terms are defined in ERISA) has occurred with respect to any Plan.

.14. ENVIRONMENTAL MATTERS.

(a) To the best of the Company's knowledge, the Company and each of its Subsidiaries, if any, have obtained all permits, licenses and other authorizations which are required under all Environmental Laws, except to the extent failure to have any such permit, license or authorization could not reasonably be expected to have a material adverse effect on the business, financial condition or operations of the Company and its Subsidiaries, taken as a whole. To the best of the Company's knowledge, the Company and each of its Subsidiaries, if any, are in compliance with the terms and conditions of all such permits, licenses and authorizations, and are also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply could not reasonably be expected to have a material adverse effect on the business, financial condition or operations of the Company and its Subsidiaries, taken as a whole.

(b) To the best of the Company's knowledge, no notice, notification, demand, request for information, citation, summons or order (together "notice") has been issued, no complaint has been filed and is still pending, no penalty has been assessed and is still pending and no investigation is pending or threatened by any governmental or other entity with respect to any alleged failure by the Company or any of its

Subsidiaries to have any permit, license or authorization required in connection with the conduct of its business or with respect to any Environmental Laws, including, without limitation, Environmental Laws relating to the generation, treatment, storage, recycling, transportation, disposal or release of any Hazardous Materials, except to the extent that such notice, complaint, penalty or investigation could not reasonably be expected to have a material adverse effect on the business, financial condition or operations of the Company and its Subsidiaries, taken as a whole.

(c) To the best of the Company's knowledge no material oral or written notification of a release of a Hazardous Material has been filed by or on behalf of the Company or any of its Subsidiaries and no property now or previously owned, leased or operated by the Company or any of its Subsidiaries is listed or proposed for listing on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or on any similar state list of sites requiring investigation or clean-up, except to the extent any such notification, listing or proposed listing could not be reasonably be expected to have a material adverse effect on the Company

and its Subsidiaries, taken as a whole.

(d) To the best of the Company's knowledge, there are no liens or encumbrances arising under or pursuant to any Environmental Laws on any of the real property or properties owned, leased or operated by the Company or any of its Subsidiaries and no governmental actions have been taken or are in process which could subject any of such properties to such liens or encumbrances or, as a result of which the Company or any of its Subsidiaries would be required to place any notice or restriction relating to the presence of Hazardous Materials at any property owned by it in any deed to such property, except to the extent any such liens, encumbrances or actions could not reasonably expected to have a material adverse effect on the Company and its Subsidiaries, taken as a whole.

(e) Neither the Company nor any of its Subsidiaries has (i) engaged in or permitted any operations or activities upon or any use or occupancy of property owned, leased or operated by the Company or any of its Subsidiaries, or any portion thereof, for the purpose of or in any way involving the handling, manufacture, treatment, storage, use, generation, release, discharge, refining, dumping or disposal of any Hazardous Materials on, under or in such property, except to the extent commonly used in day-to-day operations of any such property and in such case only in compliance with all Environmental Laws and except as could not reasonably be expected to have material adverse effect on the Company and its Subsidiaries taken as a whole, or (ii) transported any Hazardous Materials to, from or across such property, except to the extent commonly used in day-to-day operations of such property and, in such case, in compliance with, all Environmental Laws; nor to the best knowledge of the Company have any Hazardous Materials migrated from other properties upon, about or beneath such property, nor, to the best knowledge of the Company, are any Hazardous Materials currently deposited or otherwise located on, under, in or about such property except to the extent commonly used in day-to-day

operations of such property and, in such case, in compliance with, all Environmental Laws and except as could not reasonably be expected to have material adverse effect on the Company and its Subsidiaries taken as a whole.

.15. EMPLOYEE MATTERS. There is no strike, work stoppage or labor dispute with any union or group of employees that would result in a materially adverse effect on the business or operations of the Company and its Subsidiaries, taken as a whole. To the best of the Company's knowledge, the Company is in substantial compliance with all state or federal labor laws.

5 - AFFIRMATIVE COVENANTS

Until such time as (i) no Lender has any commitment to make Loans or issue Letters of Credit hereunder, (ii) no Loan or Letter of Credit hereunder remains outstanding, and (iii) no Obligation is due hereunder, the Company covenants as follows:

.1. FINANCIAL STATEMENTS AND OTHER REPORTING REQUIREMENTS. The Company shall furnish to the Agent and each of the Lenders:

(a) as soon as available to the Company, but in any event within 90 days after the end of each of its fiscal years, a consolidated and consolidating balance sheet as of the end of, and a related consolidated and consolidating statement of income, changes in stockholders' equity and cash flows for, such year, audited and certified by KPMG Peat Marwick (or other independent certified public accountants acceptable to the Agent) in the case of such consolidated statements, and certified by the chief financial officer in the case of such consolidating statements, and a report by such accountants stating

whether, in connection with the completion of their audit, any matters that came to their attention that caused them to believe that the Company failed to comply with the terms, covenants, provisions or conditions of SECTIONS 5.7 through 5.12, inclusive, insofar as they relate to accounting matters; IN ADDITION, a breakdown of the Four Wall Contribution Report which shows sales and income before and after allocated expenses for each retail and outlet store that reported a loss during either (i) the immediately preceding fiscal quarter or (ii) the immediately preceding twelve month period, with a comparison against last year and the plan for the current year and on a consolidated basis;

(b) as soon as available to the Company, but in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year, a consolidated and consolidating balance sheet as of the end of, and a related consolidated and consolidating statement of income and cash flows for, the period and year to date period then ended, certified by the principal financial officer of the Company but subject, however, to normal, recurring year-end adjustments that shall not in the aggregate be material in amount; IN ADDITION, a breakdown of the Four Wall Contribution Report which shows sales and income before and after allocated expenses for each retail and outlet store that reported a loss during either (i) the immediately preceding fiscal quarter or (ii) the immediately preceding

twelve month period, with a comparison against last year and the plan for the current year and on a consolidated basis;

(c) concurrently with the delivery of each financial statement pursuant to subsections (a) and (b) of this SECTION 5.1, a report in substantially the form of EXHIBIT F hereto signed on behalf of the Company by its chief financial officer; IN ADDITION, a report of the actual results of composite store sales on a consolidated basis for each retail and outlet store for the preceding twelve months;

(d) any management letter issued by the Company's independent certified public accounting firm in conjunction with the audit of the year end financial statements of the Company;

(e) promptly upon Agent's request and after the same are available, copies of all proxy statements, financial statements and reports as the Company shall send to its stockholders or as the Company may file with the Securities and Exchange Commission or any governmental authority at any time having jurisdiction over the Company or its Subsidiaries;

(f) if and when the Company gives or is required to give notice to the PBGC of any "Reportable Event" (as defined in Section 4043 of ERISA) with respect to any Plan that might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that any member of the Controlled Group or the plan administrator of any Plan has given or is required to give notice of any such Reportable Event, a copy of the notice of such Reportable Event given or required to be given to the PBGC;

(g) promptly upon any executive officer of the Company obtaining knowledge of the existence of any condition or event that constitutes a Default, written notice thereof specifying the nature and duration thereof and the action being or proposed to be taken with respect thereto;

(h) promptly upon becoming aware of any litigation or of any investigative proceedings by a governmental agency or authority commenced or threatened against the Company or any of its Subsidiaries of which it has notice, the outcome of which would reasonably be

expected to have a materially adverse effect on the assets or business of the Company or the Company and its Subsidiaries on a consolidated basis, written notice thereof and the action being or proposed to be taken with respect thereto;

(i) promptly after an executive officer of the Company or the designated compliance employee of the Company receives actual notice of any investigative proceedings by a governmental agency or authority commenced or threatened against the Company or any of its Subsidiaries regarding any actual or alleged violation of Environmental Laws or any spill, release, discharge or disposal of any Hazardous Material, written notice thereof and the action being or proposed to be taken with respect thereto;

(j) annual financial forecasts and projections to be delivered no later than 120 days after the end of each fiscal year; and

(k) from time to time, such other financial data and information about the Company or its Subsidiaries as the Agent may reasonably request.

.2. CONDUCT OF BUSINESS. Each of the Company and its Subsidiaries, if any, shall:

(a) duly observe and comply in all material respects with all applicable laws and valid requirements of any governmental authorities relative to its corporate existence, rights and franchises, to the conduct of its business and to its property and assets (including without limitation all material Environmental Laws and ERISA), and shall maintain and keep in full force and effect all licenses and permits necessary in any material respect to the proper conduct of its business; and

(b) other than in connection with a transaction not prohibited by SECTION 6.6 hereof, maintain its corporate existence; PROVIDED, that the Company may permit the dissolution or liquidation of any Subsidiary if such dissolution or liquidation is not reasonably likely to have a material adverse effect on the Company and its Subsidiaries taken as a whole.

.3. MAINTENANCE AND INSURANCE. Each of the Company and its Subsidiaries, if any, shall maintain its material properties in good repair, working order and condition as required for the normal conduct of its business. As long as the Security Agreement is in full force, the Company and each of its Subsidiaries will keep the Collateral insured at all times by insurance with financially sound and reputable insurers and in such amounts and against such risks as are customarily insured by companies engaged in a similar business with respect to properties of a similar character. Such insurance shall be payable to the Agent and the Lenders as an additional insured and the Company, as their respective interests may appear. Such insurance shall provide for not less than 30 days' notice of cancellation, change in form or non-renewal to the Agent, and shall insure the interest of the Agent and the Lenders regardless of any breach or violation by the Company or any other person of the warranties, declarations or covenants contained in such policies. Such insurance shall be primary and not contributory. The Company shall evidence its compliance with the foregoing by delivering a certificate with respect to each policy concurrently with the execution hereof, and from time to time upon the request of the Agent (but not more frequently than annually). If the Agent or the Lenders insure the Collateral or pay for the Company's insurance of the Collateral, because of the failure of the Company to obtain such insurance or make any such payment and to prevent the Collateral from being uninsured, any such cost by the Agent shall be an Obligation. The Agent and the Lenders shall be under no obligation to obtain or pay for any such insurance and any such action shall

not relieve the Company of its Obligation hereunder to obtain and pay for such insurance. As to the Company at any time the Security Agreement is no longer in effect and at all times as to the Subsidiaries, each of the Company and its Subsidiaries, if any, shall at all times maintain liability and casualty insurance with financially sound and reputable insurers in such amounts as the officers of the Company in the exercise of their reasonable judgment deem to be adequate. In the event of failure to provide and maintain insurance as herein provided, the Agent may, upon five days notice to the Company at its option, provide such insurance and charge

the amount thereof to the account of the Company or any of its Subsidiaries with the Agent or any of the Lenders. The Company shall furnish to the Agent certificates or other evidence reasonably satisfactory to the Agent of compliance with the foregoing insurance provisions.

.4. TAXES. The Company shall pay or cause to be paid all material taxes, assessments or governmental charges on or against it or any of its Subsidiaries or its or their material properties on or prior to the time when they become delinquent; PROVIDED that this covenant shall not apply to any tax, assessment or charge that is being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been established and are being maintained in accordance with GAAP if no lien shall have been filed against any of the Collateral to secure such tax, assessment or charge.

.5. INSPECTION BY THE AGENT AND LENDERS. The Company shall permit the Agent accompanied by one or more of the Lenders or their designees, during the Company's normal business hours, and upon reasonable notice (or if an Event of Default shall have occurred and is continuing, at any time and without prior notice and at any reasonable time), for the purpose of ascertaining compliance with this Agreement, to (i) visit and inspect the properties of the Company and its Subsidiaries, if any, (ii) examine and make copies of and take abstracts from the books and records of the Company and its Subsidiaries, if any, and (iii) discuss the affairs, finances and accounts of the Company and its Subsidiaries, if any, with their appropriate officers, employees and accountants.

.6. MAINTENANCE OF BOOKS AND RECORDS. Each of the Company and its Subsidiaries, if any, shall keep adequate books and records of account, in which true and complete entries will be made reflecting all of its business and financial transactions, and such entries will be made in accordance with GAAP.

.7. CURRENT RATIO. The Company shall at all times maintain the ratio of Consolidated Current Assets to Consolidated Current Liabilities less the current portion of Indebtedness for Money Borrowed of the Company and its Subsidiaries on a consolidated basis to be at least 1.75:1.00 for each fiscal quarter of the Company. For purposes of calculating the Current Ratio only, Indebtedness for Money Borrowed shall not include the principal amounts outstanding from time to time under the Loans.

.8. LEVERAGE RATIO. The Company shall maintain at the end of each fiscal quarter Indebtedness for Money Borrowed at the end of such fiscal quarter no greater than 2.75 times Consolidated Cash Flow less dividends permitted hereunder calculated for such four fiscal quarters then ended.

.9. TOTAL INTEREST COVERAGE. The Company shall maintain, at the end of each fiscal quarter for the four fiscal quarters then ended, a ratio of Consolidated EBITDA less Capital Expenditures for the period to Consolidated Total Interest Expense for the period of at least 3:1.

.10. TOTAL FIXED CHARGE COVERAGE. The Company shall maintain, at the end of each fiscal quarter for the four fiscal quarters then ended, a ratio of Consolidated Cash Flow plus payments on Operating Leases for the period to

Consolidated Total Debt Service plus payments on Operating Leases for the period of not less than 2:1.

.11. PROFITABILITY. The Company shall have Consolidated Net Income at the end of each fiscal quarter for the four fiscal quarters then ending on a cumulative basis of at least $1.00.

.12. INVENTORY TURNOVER. For each fiscal quarter, the Inventory Turnover shall be at least 2.25 turns for the four fiscal quarters then ended.

.13. USE OF PROCEEDS. The Company will use the proceeds of the Revolving Loans for the ongoing working capital needs of the Company. Notwithstanding the foregoing, the Company may use up to $75,000,000, in the aggregate, of the Commitment Amount reduced by all purchases of Senior Subordinated Notes prior to the date of this Agreement as set forth on EXHIBIT C and further reduced by all purchases made on and after the date hereof to repurchase a portion of the Senior Subordinated Notes, PROVIDED, (i) that the Company shall satisfy on a pro forma basis, all of the covenants made herein for the next four (4) fiscal quarters from the date hereof, (ii) that the Company's repurchase of the Senior Subordinated Notes in any fiscal quarter shall be limited to the amount of the Company's positive net income based on the average of net income for the proceeding four fiscal quarters, as previously reported to the Agent and using the current quarter as the fourth quarter for purposes of the calculation and (iii) that such repurchase complies with the provisions of SECTION 6.8(xiv) hereof.

.14. FURTHER ASSURANCES. At any time and from time to time the Company shall, and shall cause each of its Subsidiaries to, execute and deliver such further instruments and take such further action as may reasonably be requested by the Agent to effect the purposes of the Loan Documents.

.15. COMPLIANCE WITH LAW. The Company shall comply in all material respects with any applicable law, regulation, ordinance, statute or directive of any governmental body, the violation of which would have a material adverse effect on the Company and its Subsidiaries taken as a whole.

6 - NEGATIVE COVENANTS

Until such time as (i) no Lender has any further commitment to make Loans or issue Letters of Credit hereunder, (ii) no Loan or Letter of Credit hereunder remains outstanding and (iii) no Obligation is then due hereunder, the Company covenants as follows:

.1. INDEBTEDNESS. Neither the Company nor any of its Subsidiaries shall create, incur, assume, guarantee or be or remain liable with respect to any Indebtedness other than the following:

(a) Indebtedness of the Company or any of its Subsidiaries (i) to the Agent or any of its Affiliates or to the Lenders under the Loan Documents, or (ii) due from any Subsidiary of the Company to the Company as long as such Indebtedness was not, at the time it was incurred, prohibited under SECTION 6.8, or (iii) to any Subsidiary of the Company, unless such Subsidiary cannot, in accordance with GAAP, be consolidated with the Company for financial reporting purposes;

(b) (i) Indebtedness existing as of March ___, 1997 and disclosed on EXHIBIT C hereto or in the financial statements referred to in SECTION 4.6, and (ii) Subordinated Indebtedness and any amendments,

modifications, restatements, refundings, extensions, renewals, substitutions, refinancings or replacements of any or all of the foregoing, so long as such amendment, modification, restatement, refunding, extension, renewal, substitution, refinancing or replacement does not (i) result in an increase in the aggregate Indebtedness of the Company, (ii) result in the shortening of the aggregate weighted average maturity of such Indebtedness, (iii) impose new or additional material restrictions on the Company, (iv) grant any new or additional collateral rights or remedies to any lender of such Indebtedness, (v) change or add an obligor to such Indebtedness, or (vi) increase the rate of interest payable with respect to such Indebtedness;

(c) Indebtedness under Swap Agreements;

(d) Indebtedness incurred to finance the purchase of aircraft that replace aircraft then owned by the Company in an aggregate amount not to exceed $10,000,000 outstanding at any time;

(e) Guarantees not prohibited by SECTION 6.2 hereof;

(f) Indebtedness of the Company to any or all shareholders of the Company to the extent that the distribution of such Indebtedness to shareholders of the Company was not, at the time such distribution was made, prohibited by SECTION 6.8 hereof;

(g) Other Indebtedness of the Company, including, without limitation, Capital Leases, Indebtedness for the purchase price of assets, Guarantees not specifically permitted by SECTION 6.2 not exceeding an aggregate outstanding principal amount of $15,000,000 less Indebtedness listed on Exhibit C other than Subordinated Indebtedness at any one time outstanding, exclusive of the Indebtedness already permitted under SECTION 6.1(a) through 6.1(f), 6.1(h) and 6.1(i) hereof;

(h) Indebtedness of Guess Italia or Traverso, provided such Indebtedness does not exceed $12,000,000 in the aggregate less the total face amount of all accounts receivable sold by Guess Italia or Traverso or pledged to lenders as permitted under SECTION 6.5(i); and

(i) All Indebtedness of the Company to The First National Bank of Boston arising under a certain letter of credit facility made available to the Company by the First National Bank of Boston up to a maximum amount of $25,000,000 pursuant to a certain Continuing Commercial Letter of Credit Reimbursement Agreement dated as of December ___, 1995 (the "GUESS LETTER OF CREDIT AGREEMENT") shall be permitted hereunder, BUT ONLY to the extent that the sum of the letters of credit under the Ranche Letter of Credit Facility (as hereinafter defined) and the letters of credit under the Guess Letter of Credit Facility shall not exceed $25,000,000. As used herein the term "Ranche Letter of Credit Facility" shall mean a certain letter of credit facility made available to Ranche Limited by The First National Bank of Boston up to a maximum amount of $25,000,000 pursuant to a certain

Continuing Commercial Letter of Credit Reimbursement and Security Agreement dated as of November 22, 1994.

.2. GUARANTEES. Neither the Company nor any of its Subsidiaries shall create, incur, assume, or remain liable with respect to any Guarantees other than the following:

(a) Guarantees in favor of the Agent or any of its affiliates or the Lenders hereunder;

(b) Guarantees existing on the date of this Agreement and disclosed on EXHIBIT C hereto or in the financial statements referred to

in SECTION 4.6;

(c) Guarantees resulting from the endorsement of negotiable instruments for collection in the ordinary course of business;

(d) Guarantees with respect to surety, appeal performance and return-of-money and other similar obligations incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money) not exceeding in the aggregate at any time $2,000,000;

(e) Guarantees of normal trade debt relating to the acquisition of goods, services and supplies;

(f) Guarantee of the obligations of Ranche Limited, doing business as Guess International pursuant to a certain Guarantee substantially in the form of EXHIBIT L hereto, but only to the extent of the aggregate face amount of outstanding letters of credit issued by The First National Bank of Boston for the benefit of Ranche Limited under the Ranche Limited Credit Facility as of November 22, 1994; and as the face amount of such outstanding letters of credit decrease, the obligations of the Company under such guarantee shall decrease by a corresponding amount; and such guarantee shall continue in effect only for so long as any such letters of credit and/or obligations with respect thereto remain outstanding, and when no such letters of credit remain outstanding and all obligations with respect thereto have been indefeasibly satisfied, such Guarantee shall no longer be permitted hereunder;

(g) Guarantees of the obligations for loans, letters of credit and other extensions of credit of Guess Italia or Traverso permitted under SECTION 6.1(h) which do not exceed $12,000,000 in the aggregate, less the total face amount of all accounts receivable sold, factored or pledged by Guess Italia or Traverso to lenders to the extent permitted under SECTION 6.5(i); and

(h) Guarantees of loans and other borrowings obtained by any of the Company's Subsidiaries not to exceed $40,000,000 in the aggregate less Guaranties under SECTION 6.2(g) and any other amount as listed on EXHIBIT C.

.3. SALE AND LEASEBACK. Neither the Company nor any of its Subsidiaries shall enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property owned by it in order to lease such property or lease other property that the Company or any such Subsidiary intends to use for substantially the same purpose as the property being sold or transferred; PROVIDED, HOWEVER, that the Company may enter into such sale and leaseback transactions, other than with respect to the Company's existing real property, automobiles and aircraft, that do not, in the aggregate exceed $5,000,000.

.4. ENCUMBRANCES. Neither the Company nor any of its Subsidiaries shall create, incur, assume or suffer to exist any mortgage, pledge, security interest, lien or other charge or encumbrance, including the lien or retained security title of a conditional vendor upon or with respect to any of its property or assets including without limitation any trademark, tradename or other intellectual property ("ENCUMBRANCES"), except the following ("PERMITTED ENCUMBRANCES"):

(a) Encumbrances in favor of the Agent or any of its affiliates or Lenders under the Security Agreement;

(b) Encumbrances existing as of the date of this Agreement and disclosed in EXHIBIT C and renewals, extensions or replacements thereof reasonably acceptable to the Agent;

(c) liens for taxes, fees, assessments and other governmental charges to the extent that payment of the same is not delinquent or is not required in accordance with the provisions of SECTION 5.4;

(d) landlords' and lessors' liens in respect of rent not in default or which are being contested in good faith or liens in respect of pledges or deposits under workmen's compensation, unemployment insurance, social security laws, or similar legislation (other than ERISA) or in connection with appeal and similar bonds incidental to litigation; mechanics', carriers', warehousemans', laborers', and materialmen's and similar liens, if the obligations secured by such liens are not then delinquent or are being contested in good faith; liens securing the performance of bids, tenders, contracts (other than for the payment of money); and statutory obligations incidental to the conduct of its business and that do not in the aggregate materially detract from the value of its property or materially impair the use thereof in the operation of its business;

(e) judgment liens not in excess of $ 2,000,000 that shall not have been in existence for a period longer than 30 days after the creation thereof or, if a stay of execution shall have been obtained, for a period longer than 30 days after the expiration of such stay;

(f) rights of lessors under Capital Leases to the extent permitted under SECTION 6.1;

(g) Encumbrances in respect of any purchase money obligations for tangible property used in its business to the extent permitted under

SECTION 6.1, PROVIDED that any such Encumbrances shall not extend to property and assets of the Company or any such Subsidiary not financed by such a purchase money obligation;

(h) easements, rights of way, restrictions and other similar charges or Encumbrances relating to real property and not interfering in a material way with the ordinary conduct of its business;

(i) Encumbrances on any property acquired after the date hereof by the Company or any of its Subsidiaries created contemporaneously with such acquisition to secure or provide for the payment or financing of all or any part of the purchase price thereof, or the assumption of any Encumbrance upon any property hereinafter acquired and existing at the time of such acquisition, or the acquisition of such property subject to an Encumbrance without the assumption thereof, and any refinancing thereof to the extent the related Indebtedness is permitted under SECTION 6.1;

(j) Encumbrances securing Indebtedness not prohibited by SECTION 6.1 hereto;

(k) inchoate Encumbrances incident to construction or maintenance of real property, or Encumbrances incident to construction or maintenance of real property now or hereafter filed of record for which adequate reserves have been set aside and which are being contested in good faith by appropriate proceedings and have not proceeded to judgment;

(l) minor defects and irregularities in title to any real property which in the aggregate do not materially impair the fair market value of such real property;

(m) rights reserved to or vested in any governmental agency by law or regulation to control or regulate, or obligations or duties under

law or regulation to any governmental agency with respect to, the use of any real property;

(n) rights reserved to or vested in any governmental agency by law or regulation to control or regulate, or obligations or duties under law or regulation to any governmental agency with respect to any right, power, franchise, grant, license, or permit;

(o) present or future zoning laws or regulations or other laws or regulations restricting the occupancy, use, or enjoyment of real property;

(p) liens consisting of deposits of property to secure (or in lieu of) surety, appeal or customs bonds in proceedings to which the Company is a party;

(q) rights of licensees under license agreements entered into in the ordinary course of business; and

(r) the sale or factoring (including any conditional sale) by Guess Italia or Traverso of accounts receivable and the granting of liens to

secure Indebtedness referred to in SECTION 6.1(h), provided it does not violate SECTION 6.5(i) hereof.

.5. MERGER; CONSOLIDATION; SALE OR LEASE OF ASSETS. Neither the Company nor any of its Subsidiaries shall sell, lease or otherwise dispose of any assets or properties consisting of the trademarks "Guess," "Guess ?" or the inverted triangle design or dispose of other assets or properties (valued at the lower of cost or market), to the extent that the value of the assets or properties so disposed during the then current fiscal year would exceed 5% of the amounts shown as the total tangible assets of the Company on the then most recent financial statements of the Company submitted pursuant to SECTION 5.1 hereof, other than (i) sales of inventory in the ordinary course of business and sales or pledges of accounts receivable by Guess Italia and Traverso, for an initial payment of not less than 80% (or such lesser amount as shall be agreed to by the Agent) of the outstanding unpaid amount of all of the specific accounts receivable so sold or pledged, provided such sales and pledges would not aggregate with the face amount of all other accounts receivables sold or pledged by Guess Italia and Traverso more than $12,000,000, less the amount of any outstanding Indebtedness of Guess Italia or Traverso permitted under SECTION 6.1(h) hereof, (ii) sales, leases and other dispositions of assets no longer useful in the conduct of the Company's or such Subsidiary's business and not material in amount, (iii) sales, leases, transfers and other dispositions of equipment so long as such equipment is replaced with other equipment to be used in the conduct of the Company's or such Subsidiary's business of comparable value, (iv) a disposition consisting of a distribution in respect of its capital stock not prohibited by SECTION 6.7 hereof and (v) licenses of trademark, tradenames and other similar property in the ordinary course of the Company's business; or liquidate, merge or consolidate into or with any other person or entity, PROVIDED that any Subsidiary of the Company may merge or consolidate into or with (i) the Company if no Default has occurred and is continuing or would result from such merger and if the Company is the surviving company, or (ii) any Wholly-Owned Subsidiary of the Company. In addition, as long as no Default or Event of Default has occurred and is continuing, the Company may dispose of any aircraft or work of art now or hereafter owned by the Company.

.6. ADDITIONAL STOCK ISSUANCE. The Company shall not permit any of its Subsidiaries to issue any additional shares of its capital stock or other equity securities, any options therefor or any securities convertible thereto other than to the Company. Neither the Company nor any of its Subsidiaries shall sell, transfer or otherwise dispose of any of the capital stock or

other equity securities of a Subsidiary, except (i) to the Company or any of its Wholly-Owned Subsidiaries, or (ii) in connection with a transaction permitted by SECTION 6.5.

.7. EQUITY DISTRIBUTIONS.

The Company shall not pay any dividends on any class of its Capital Stock or make any other distribution or payment on account of or in redemption, retirement or purchase of such Capital Stock without the prior written consent of the Majority Lenders; PROVIDED that this Section shall not apply to (i) the issuance, delivery or distribution by the Company of shares of its common stock pro rata to its existing shareholders and (ii) the purchase or redemption by the Company of its Capital Stock with the proceeds of the issuance of additional

shares of Capital Stock. If an Event of Default or Default has occurred and is continuing, then the Company shall not pay any dividends on any class of its Capital Stock.

.8. INVESTMENTS. Neither the Company nor any of its Subsidiaries shall make or maintain any Investments other than (i) Investments in Subsidiaries and new Investments in Subsidiaries, Newtimes Guess Parent and Newtimes Guess not to exceed $15,000,000 in the aggregate at any one time, (ii) existing Investments as of the date hereof in The Leslie Fay Companies, Inc., G&C Entertainment, Inc. and Guess Italia S.r.l.; (iii) existing Investments in debt obligations of the State of Israel; (iv) Investments consisting of advances to employees, officers and consultants of the Company for travel, relocation or similar expenses in the ordinary course of business not in excess of $500,000 outstanding at any one time; (v) Investments consisting of loans to employees of the Company in the ordinary course of business that do not exceed in the aggregate $1,000,000 outstanding at any time; (vi) Investments consisting of advances to vendors of the Company and other loans to vendors of the Company in the ordinary course of business that do not exceed in the aggregate $1,000,000 outstanding at any time; (vii) if no Default or Event of Default then exists, acquisitions, that do not violate SECTION 6.1, of a Person engaged in the Apparel Business, PROVIDED that (a) giving effect thereto on a pro forma combined basis as of the last day of the most recently ended fiscal quarter, the Company would be in compliance with SECTIONS 5.7 through 5.11, (b) if such acquisition consists of the acquisition of capital stock or other equity ownership interests in a Person, such Person is promptly thereafter merged with and into the Company; PROVIDED that the Company may acquire capital stock of such Person, subject to the limitation set forth in (c) and not merge such Person into the Company, if such capital stock is held by the Company and is represented on the balance sheet of the Company and (d) the cash paid for such acquisition does not exceed $25,000,000 and when added to the cash paid for all other acquisitions during such fiscal year does not exceed $50,000,000; PROVIDED that up to $5,000,000 in the aggregate of such $50,000,000 may be used to acquire capital stock of Person or Persons which are not merged into the Company; (viii) Qualified Investments; (ix) in connection with purchases of inventory occurring in the ordinary course of business consistent with the Company's past practice; (x) lease, utility and other similar deposits to the extent otherwise permitted hereunder; (xi) stock, obligations or securities received in settlement of debts owing to the Company or a Subsidiary of the Company as a result of foreclosure, perfection or enforcement of any lien; (xii) negotiable instruments held for collection; (xiii) sales of goods or services on trade credit terms consistent with the Company's and its Subsidiaries' past practices or as otherwise consistent with trade credit terms in common use in the industry; (xiv) redemption, retirement or repurchase by the Company in the amount provided in SECTION 5.13 of this Agreement, but only on the condition that (a) no Default exists at the time of such redemption, retirement or repurchase or would be caused by any such redemption, retirement or repurchase, (b) such redemption, retirement or repurchase of Subordinated Indebtedness would not cause the representations in SECTIONS 4.10

and 4.12 to be untrue and (c) the Company is in compliance with SECTION 5.13 of this Agreement;

(xv) investments in licensees of the Company not to exceed $10,000,000 in the aggregate; and (xvi) other Investments not to exceed $5,000,000 in the aggregate.

.9. ERISA. Neither the Company nor any member of the Controlled Group shall permit any Plan maintained by it to (i) engage in any "prohibited transaction" (as defined in Section 4975 of the Code, (ii) incur any "accumulated funding deficiency" (as defined in Section 302 of ERISA) whether or not waived, or (iii) terminate any Plan in a manner that could result in the imposition of a lien or encumbrance on the assets of the Company or any of its Subsidiaries pursuant to Section 4068 of ERISA.

.10. CHANGE IN TERMS AND PREPAYMENT OF SUBORDINATED INDEBTEDNESS. The Company shall not:

(a) effect or permit any change in or amendment to (i) the terms by which any Subordinated Indebtedness purports to be subordinated to the payment and performance of the Obligations, or (ii) the terms relating to the repayment or interest rate of any Subordinated Indebtedness other than to extend the terms of repayment thereof; or

(b) directly or indirectly, make any payment of any principal of or in redemption, retirement or repurchase of Subordinated Indebtedness except payments required by the instruments evidencing such Indebtedness other than (i) payment of the Subordinated Indebtedness from the proceeds of an initial public offering of the shares of the Company, and (ii) the redemption, retirement or repurchase of Subordinated Indebtedness as specifically permitted under SECTION 6.8(xiv) hereof.

.11. TRANSACTIONS WITH AFFILIATES. The Company and its Subsidiaries, if any, shall not enter into any transaction of any kind with any Affiliate of the Company OTHER THAN (i) continuation, renewals or extensions of the transactions (a) described in the notes to the Company's audited financial statements as at December 31, 1995 and for the fiscal year then ended or (b) listed on EXHIBIT K hereto, (ii) distributions permitted under SECTION 6.7, (iii) the lease assignment or subleasing by the Company of certain facilities of the Company to one or more Affiliates of the Company, PROVIDED that such facilities are concurrently subleased back to the Company at rents not in excess of the rents reserved under the lease to the Company, and (iv) transactions on terms at least as favorable to the Company as would be the case in an arm's-length transaction between unrelated parties of equal knowledge respecting the subject matter thereof and equal bargaining power.

.12. NATURE OF BUSINESS. The Company and its Subsidiaries, if any, shall not engage in any business OTHER THAN the Apparel Business; PROVIDED that the foregoing shall not prohibit the Company or any Subsidiary from engaging in businesses OTHER THAN the Apparel Business so long as the aggregate gross revenues of all such businesses in any fiscal year do not exceed 10% of the consolidated gross revenues of the Company and its Subsidiaries for that fiscal year.

7 - DEFAULTS

.1. EVENTS OF DEFAULT. There shall be an Event of Default hereunder if any of the following events occurs:

(a) the Company shall fail to pay (i) when due any amount of principal of any Obligations, or (ii) within four (4) days after the due date therefor, any amount of interest thereon or any fees or expenses payable hereunder or under the Notes; or

(b) the Company shall fail to perform any term, covenant or agreement contained in SECTIONS 5.1(g), 5.5, 5.7 through 5.13 or 6.1 through 6.12; or

(c) the Company shall fail to perform any term, covenant or agreement (other than in respect of SECTIONS 7.1(a) and (b) hereof) contained in this Agreement and such Default shall continue for 30 days after notice thereof has been sent to the Company by the Agent; or

(d) an event of default has occurred and is continuing under any Subordinated Indebtedness; or

(e) any representation or warranty of the Company made in this Agreement or in the Notes or any other documents or agreements executed in connection with the transactions contemplated by this Agreement or in any certificate delivered hereunder shall prove to have been false in any material respect upon the date when made or deemed to have been made; or

(f) the Company or any of its Subsidiaries shall fail to pay at maturity and after any applicable period of grace, any obligations in excess of $2,000,000 in the aggregate for borrowed monies or advances, or fail to observe or perform any term, covenant or agreement evidencing or securing such obligations for borrowed monies or advances, the result of which failure is that the holder or holders of such Indebtedness cause such Indebtedness to become due prior to its stated maturity upon delivery of required notice, if any; or

(g) the Company or any of its Subsidiaries shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar official of itself or of all or a substantial part of its property, (ii) be generally not paying its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Bankruptcy Code (as

now or hereafter in effect), (v) commence any case or proceeding under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, or any other law providing for the relief of debtors, (vi) acquiesce in writing to, any petition filed against it in an involuntary case under the Bankruptcy Code or other law, or (vii) take any action under the laws of its jurisdiction of incorporation or organization similar to any of the foregoing; or

(h) a proceeding or case shall be commenced, without the application or consent of the Company or any of its Subsidiaries in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding up, or composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets, or (iii) similar relief in respect of it, under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts or any other law providing for the relief of debtors, and such proceeding or case shall continue undismissed, or unstayed and in effect, for a period of 60 days; or an order for relief shall be entered in an involuntary case under the Bankruptcy Code, against the Company or such Subsidiary; or action under the laws of the jurisdiction of incorporation or organization of the Company or any of its Subsidiaries similar to any of the foregoing shall

be taken with respect to the Company or such Subsidiary and shall continue unstayed and in effect for any period of 60 days; or

(i) a judgment or order for the payment of money shall be entered against the Company or any of its Subsidiaries by any court, or a warrant of attachment or execution or similar process shall be issued or levied against property of the Company or such Subsidiary, that in the aggregate exceeds $2,000,000 in value and such judgment or order shall continue undischarged, unstayed, unsatisfied, undismissed or unbonded for 30 days; or

(j) the Company or any member of the Controlled Group shall fail to pay when due an amount or amounts aggregating in excess of $100,000 that it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans shall be filed under Title IV of ERISA by the Company, any member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding shall be instituted by a fiduciary of any such Plan or Plans against the Company and such proceedings shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated; or

(k) there are less than two (2) of the current executive management officers (Maurice, Paul and Armand Marciano) actively engaged in the management of the Company or the shareholders actively engaged in the management of the Company cease to own or control beneficially, in the aggregate, common stock entitled to exercise a majority of the voting power of the Company.

.2. REMEDIES. (a) Upon the occurrence of an Event of Default described in SECTIONS 7.1 (g) and (h), immediately and automatically, and (b) upon the occurrence of any other Event of Default, at any time thereafter while such Event of Default is continuing, at the option of the Majority Lenders and upon the Agent's declaration:

(a) the Lenders' commitment to make any further Loans or issue Letters of Credit hereunder shall terminate;

(b) the unpaid principal amount of the Loans together with accrued interest and all other Obligations shall become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived; and

(c) the Agent and the Lenders may exercise any and all rights they have under this Agreement, the Notes or any other documents or agreements executed in connection herewith, or at law or in equity, and proceed to protect and enforce their rights by any action at law, in equity or other appropriate proceeding.

(d) the order and manner in which the rights and remedies of the Agent and the Lenders under the Loan Documents and otherwise are to be exercised shall be determined by the Majority Lenders. All payments received by the Agent and the Lenders, or any of them, shall be applied FIRST to the costs and expenses (including reasonable attorneys' fees and disbursements) of the Agent and of the Lenders, SECOND paid pro rata to the Lenders in the same proportion that the aggregate of the unpaid principal amount owing on the Obligations of the Company to each Lender, plus accrued and unpaid interest thereon, bears to the aggregate of the unpaid principal amount owing on all the Obligations, plus accrued and unpaid interest thereon, AND THEREAFTER to the Company or whomsoever may

be lawfully entitled thereto. Regardless of how each Lender may treat the payments for its own accounting purposes, for the purpose of computing the Obligations hereunder and under the Notes, payments shall be applied FIRST, to the costs and expenses of the Agent and the Lenders as set forth above, SECOND, to the payment of accrued and unpaid interest due under any Loan Documents, to and including the date of such application (ratably, and without duplication, according to the accrued and unpaid interest due under each of the Loan Documents), and THIRD, to the payment of all other amounts (including principal and fees) then owing to the Lenders under the Loan Documents. No such application of payments will cure any Event of Default or prevent acceleration, or continued acceleration, of amounts payable under the Loan Documents or prevent the exercise, or continued exercise, of rights or remedies of the Lenders hereunder or thereunder or at law or in equity.

8 - CONCERNING THE AGENT AND THE LENDERS

.1. APPOINTMENT AND AUTHORIZATION. Each of the Lenders hereby appoints the Agent, acting through its head office, to serve as the Agent under this Agreement and the other Loan Documents and irrevocably authorizes the Agent to take such action as the Agent on such Lender's behalf under this Agreement and the other Loan Documents and to exercise such powers and to perform such duties under this Agreement, the Loan Documents and the other documents and instruments executed and delivered in connection with the consummation of the transactions contemplated hereby as are delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

.2. AGENT AND AFFILIATES. The Agent and the Co-Agent shall have the same rights and powers under this Agreement and the Loan Documents as each other Lender and may exercise or refrain from exercising the same as though it were not the Agent or the Co-Agent, respectively, and the Agent and the Co-Agent and their respective Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Company or any Affiliate of the Company as if it were not the Agent or Co-Agent hereunder and under the Loan Documents which would not cause the Company to violate SECTION 6.1 hereof. Except as otherwise provided by the terms of this Agreement, nothing herein shall prohibit any of the Lenders from accepting deposits from, lending money to or generally engaging in any kind of business with the Company or any Affiliate of the Company.

.3. LOANS.

(i) If on any Business Day, the Agent receives notice, pursuant to SECTION 2.2 hereof, that the Company has requested a Loan, the Agent shall promptly notify each Lender by telephone of such request to be followed by a fax verifying such requested Loan. Such notice from the Agent shall contain the amount of the requested Loan and the share that each Lender is requested to fund as part of such Loan. Each Lender shall, prior to 2:00 p.m. Boston time of the date on which the Loan is requested, transfer to the Agent by wire through the Federal Reserve System in immediately available funds the respective amount set forth in the requested Loan for each such Lender. The Company and the Lenders agree that if any of the Lenders fail to fund, the Agent and the Lenders shall not be required to fund that portion of the Loan represented by the amount due from any Lender who has not funded in accordance with this subsection. Any Lender not funding a Loan shall not be permitted to make any further Loans until such time as it has funded the portion of any and all previous Loans which it failed to fund. On any Business Day that the Agent receives a payment in immediately available funds from the Company with respect to the Obligations hereunder, the Agent shall, subject to the terms and conditions of this Agreement, notify each Lender that it has received such payment and, by wire transfer through the Federal Reserve System, wire each Lender's share of such

funds, net of any amount which such Lender is required to fund for any Loan requested on the date of any such loan payment or any other sum due from such Lender to the Agent. The Agent shall fax to each of the Lenders notice of any such payment, at the time such payment is wired.

(ii) Funds provided by the Agent or the Co-Agent as payment upon a sight or time draft presented to the Agent or Co-Agent under a Letter of Credit issued pursuant to the terms of SECTION 2.16 hereof, and any payments made by the Agent or Co-Agent on behalf of the Company, shall constitute Loans made by the Lenders on a risk participation basis in accordance with each Lenders' Percentage at such time as such funds are actually provided, or such payments are made, by the Agent or Co-Agent; PROVIDED that the Co-Agent shall receive such payment as required from the other Lenders so that its percentage of the Loan so made does not exceed its respective Lender's Percentage.

(iii) All Loans made by the Agent on behalf of any Lender shall be, for purposes of interest income and other charges, considered Loans from such Lender to the Company, at such time as the Agent receives from such Lender funds as provided in SECTION 8.3(i), and prior to such time such Loans shall be considered, for purposes of interest income and other charges, Loans from the Agent or the other Lenders to the extent reimbursed by such other Lenders as provided in SECTION 8.3(i) above.

(iv) The proceeds of Collateral, including, but not limited to, any collections of accounts receivable, shall be applied first to pay the expenses of the Agent and Lenders as herein provided, then to equalize each Lender's share of the Loans so that each Lender's share of the Loans equals such Lender's respective Lender's Percentage.

(v) The Agent may at any time refuse to make Loans on behalf of any Lender unless such Lender shall have provided to the Agent immediately available funds sufficient to cause such Lender's share of the Loans to equal and reflect such Lender's Percentage at the time and in the manner provided in SECTION 8.3(i).

(vi) Notwithstanding the provisions hereof, the obligations to make Loans under the terms of this Agreement shall be the several and not a joint obligation of the Lenders, and any Loans made by the Agent on behalf of the Lenders are strictly for the administrative convenience of the parties and shall in no way diminish any Lender's liability to the Agent to repay the Agent for such Loans.

.4. PAYMENTS. All payments and prepayments of principal of Loans received by the Agent shall be paid to each of the Lender's PRO RATA in accordance with their respective Lender's Percentage. All such payments from the Company or as proceeds of Collateral received by the Agent shall be held in trust for the benefit of the Lenders. As each such payment is received by the Agent, the Agent shall promptly charge or credit each of the Lenders to the extent necessary to ensure that as between them, each of the Lenders holds its respective Lender's Percentage of outstanding Loans, based on the then unpaid aggregate principal amounts of the Loans outstanding.

.5. INTEREST, FEES AND OTHER PAYMENTS. (a) All payments of interest received by the Agent in respect of Loans, except as otherwise provided by the terms of this Agreement, and all other fees and premiums received by the Agent

hereunder or in respect of Loans (other than the Agent's Fee which shall be retained by the Agent) shall be shared by the Lenders pro rata in accordance

with their respective Lender's Percentages. (b) All payments received by the Agent pursuant to SECTION 9.2 of this Agreement shall be applied by the Agent to reimburse each Lender, as appropriate, on account of the tax, charge or expense incurred by such Lender, if any, in respect of which such payment is made. (c) Each of the Lenders and the Agent agree that if it should receive any amount (whether by voluntary payment, by realization upon Collateral, by the exercise of the right of set-off or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Loan Documents or otherwise) in respect of principal of or interest on, the Loans, or any fees which are to be shared PRO RATA among the Lenders, which, as compared to the amounts theretofore received by other Lenders in respect to such principal, interest or fees, is in excess of such Lender's Percentage of such principal, interest or fees, such Lender shall share such excess, less the cost and expenses (including, reasonable attorneys' fees and disbursements) incurred by such Lender in connection with such realization, exercise, claim or action, PRO RATA with all other Lenders in proportion to their respective Lender's Percentage and such sharing shall be deemed a purchase (without recourse) by such sharing party of a participation interest in the Loans or in such fees, as the case may be, owed to the recipients of such shared payments to the extent of such shared payments; PROVIDED, HOWEVER, that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. The Lenders agree that any payment obtained through the exercise of a right of set-off, bankers lien, counterclaim or otherwise as to the funds of the Company shall be applied first to Obligations owing to the Lenders under this Agreement.

.6. ACTION BY AGENT.

(i) The obligations of the Agent hereunder are only those expressly set forth herein. The Agent shall have no duty to exercise any right or power or remedy hereunder, under any Loan Document, or under any other document or instrument executed and delivered in connection with or as contemplated by this Agreement or to take any affirmative action hereunder or thereunder.

(ii) The Agent shall keep the other records of the Loans and payments hereunder, and shall give and receive notices and other communications to be given or received by the Agent hereunder on behalf of the Lenders.

(iii) Upon the occurrence of an Event of Default, the Agent shall notify each of the Lenders and, upon the request of the Majority Lenders, the Agent shall, if such Event of Default is continuing declare all Obligations immediately due and payable and take such other action as may appear necessary or desirable to collect the Obligations and enforce the rights and remedies of the Agent or the Lenders with respect to the Collateral.

(iv) Whether or not an Event of Default shall have occurred, the Agent may, and upon the request of the Majority Lenders, shall from time to time exercise the rights of the Agent and Lenders hereunder under the Loan Documents, or under the other documents or instruments executed or delivered in connection with or as contemplated by this Agreement as may be necessary or desirable to protect the Collateral and the interests of the Agent and the Lenders therein.

.7. CONSULTATION WITH EXPERTS. The Agent shall be entitled to retain and consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable to the Lenders for any action taken, omitted to be taken or suffered in good faith by it in accordance with the advice of such counsel, accountants or experts. The Agent may employ agents and attorneys-in-fact and shall not be liable to the Lenders for the default or misconduct of any such agents or attorneys.

.8. LIABILITY OF AGENT. The Agent shall exercise the same care to protect the interests of each of the Lenders as it does to protect its own interests, so that so long as the Agent exercises such care it shall not be under any liability to any of the Lenders, except for the Agent's gross negligence or willful misconduct with respect to anything it may do or refrain from doing. Subject to the immediately preceding sentence, neither the Agent nor any of its directors, officers, agents or employees shall be liable to any Lender for any action taken or not taken by it in connection herewith in its capacity as Agent. Without limiting the generality of the foregoing, neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify: (i) any statement, warranty or representation made in connection with this Agreement, any Loan Document or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Company; (iii) the satisfaction of any condition specified in SECTION 3 hereof, except receipt of items required to be delivered to the Agent; (iv) the validity, effectiveness, enforceability or genuineness of this Agreement, the Notes, the Loan Documents or any other document or instrument executed and delivered in connection with or as contemplated by this Agreement; (v) the existence, value, collectibility or adequacy of the Collateral or any part thereof or the validity, effectiveness, perfection or relative priority of the liens and security interests of the Lenders therein; or (vi) the filing, recording, refiling, continuing or re-recording of any financing statement or other document or instrument evidencing or relating to the security interests or liens of the Lenders in the Collateral. The Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement or other writing (which may be a bank wire, telex or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

.9. INDEMNIFICATION. Each Lender agrees to indemnify the Agent (to the extent the Agent is not reimbursed by the Company), ratably in accordance with its Lender's Percentage, from and against any cost, expense (including attorneys' fees and disbursements), claim, demand, action, loss or liability which the Agent may suffer or incur in connection with this Agreement or any Loan Document, or any action taken or omitted by the Agent hereunder or thereunder, or the Agent's relationship with the Company hereunder, including, without limitation, the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers and duties hereunder and of taking or refraining from taking any action hereunder; PROVIDED that the Lenders shall not reimburse the Agent for any such cost, expenses, claims or liability which arises from or is related to the gross negligence or willful misconduct of the Agent. No payment by any Lender under this SECTION 8.9 shall in any way relieve the Company of its obligations under this Agreement with respect to the amounts so paid by any Lender, and the Lenders shall be subrogated to the rights of the Agent, if any, in respect thereto; PROVIDED such indemnification does not arise from the gross negligence or willful misconduct of the Agent.

.10. INDEPENDENT CREDIT DECISION. Each of the Lenders represents and warrants to the Agent that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in SECTION 4.6 and such other documents and information as it has deemed appropriate, made its own independent credit analysis and decision to enter into this Agreement. Each of the Lenders acknowledges that it has not relied upon any representation by the Agent and that the Agent shall not be responsible for any statements in or omissions from any documents or information concerning the Company, this Agreement, the Notes, the Loan Documents or any other document or instrument executed and delivered in connection with or as contemplated by this Agreement. Each of the Lenders acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decision in

taking or not taking action under this Agreement.

.11. CONSENTS OF LENDERS. Under any circumstances where the consent, waiver, approval or similar decision of the Lenders must be requested by the Company under the terms of this Agreement, each of the Lenders hereby agrees that any response to any such consent, waiver, approval or otherwise will not be unreasonably delayed by such Lender.

.12. SUCCESSOR AGENT. The Agent, or any successor Agent, may resign as Agent at any time by giving written notice thereof to the Lenders and the Company. Upon any such resignation, the Majority Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Lenders, then within 30 days after the retiring Agent's giving of notice of resignation, the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial lender (or Affiliate thereof) or savings and loan association organized under the laws of the United States of America or any State thereof or under the laws of another country which is doing business in the United States of America or any State thereof and having a combined capital, surplus and undivided profits of at least $100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such

successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from all further duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Section 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

9 - MISCELLANEOUS

.1. NOTICES. Unless otherwise specified herein, all notices hereunder to any party hereto shall be in writing and shall be deemed to have been given when delivered by hand, when properly deposited in the mail postage prepaid, or electronic facsimile transmission, or when delivered to the telegraph company or overnight courier, addressed to such party at its address indicated below:

If to the Company, at:

GUESS ?, INC.
1444 South Alameda Street
Los Angeles, California 90021
Attention: Maurice Marciano, Chairman or
Roy Pierce, Chief Financial Officer
Telecopier: (213) 744-7817

If to the Agent, at:

The First National Bank of Boston
100 Federal Street
Mail Stop 01-22-05
Boston, Massachusetts 02110
Attention: Christopher D. Francis, Vice President
Telecopier: (617) 434-2203

If to the Lenders, then to the addresses set forth on EXHIBIT J.

or at any other address specified by such party in writing.

.2. EXPENSES. The Company will pay (i) at closing all reasonable out of pocket expenses and agreed upon fees of the Agent related to the preparation of this Agreement and the Loan Documents and the syndication of

the Loans hereunder, including, without limitation, the fees of counsel to the Agent (not to exceed $25,000.00 plus expenses of such counsel) and all other related fees and charges, (ii) within five days of demand, all reasonable out-of-pocket expenses of the Agent in connection with the waiver or amendment of this Agreement, the Notes or other Loan Documents and other documents executed in connection therewith and all reasonable out-of-pocket expenses of the Lenders in connection with any material waiver or amendment of this Agreement, the Notes or other Loan Documents, and (iii) on demand all reasonable out-of-pocket expenses of the Agent or any of the Lenders related to Default or collection of the Loans or other Obligations in connection with the Agent's or the Lenders' exercise, preservation or enforcement of any of its rights or remedies thereunder, including, without limitation,

reasonable fees of outside legal counsel, accounting, consulting, brokerage or other similar professional fees or expenses, and any reasonable out of pocket fees or expenses associated with any travel or other costs relating to any appraisals or examinations conducted in connection with the Obligations or any Collateral therefor, and the amount of all such expenses shall, until paid, bear interest at the rate applicable to Base Rate Loans hereunder (including any rate of interest provided in SECTION 2.14).

.3. SET-OFF.

(a) Regardless of the adequacy of any Collateral or other means of obtaining repayment of the Obligations, any deposits, balances or other sums credited by or due from the head office of the Agent or any of the Lenders or any of their respective branch offices to the Company may, at any time and from time to time after the occurrence and during the continuation of an Event of Default hereunder, without notice to the Company or compliance with any other condition precedent now or hereafter imposed by statute, rule of law, or otherwise (all of which are hereby expressly waived) be set off, appropriated, and applied by the Agent or any Lender against any and all obligations of the Company to the Lenders in such manner as provided under the terms of this Agreement. Nothing in this SECTION 9.3 shall limit or restrict the exercise by a Lender of any rights to setoff or banker's lien under applicable law. Promptly following each such setoff, appropriation and application, the Agent or the applicable Lender shall notify the Company of such setoff, appropriation or application (which notification shall contain a description of the applicable account and applicable amount).

(b) Each Lender severally agrees that if it, through the exercise of the right of setoff, banker's lien, or counterclaim against the Company or otherwise, receives in payment of the Obligations due it hereunder and under the Notes ratably more than any other Lender receives in payment of Obligations held by that Lender, then: (a) the Lender exercising the right of setoff, banker's lien, or counterclaim or otherwise receiving such payment shall purchase, and shall be deemed to have simultaneously purchased, from the other Lenders a participation in the Obligations held by the other Lenders and shall pay to the other Lenders a purchase price in an amount so that the share of the Obligations held by each Lender after the exercise of the right of setoff, banker's lien, or counterclaim or receipt of payment shall be in the same proportion that existed prior to the exercise of the right of setoff, banker's lien, or counterclaim or receipt of payment, and (b) such other adjustments and purchases of participations shall be made from time to time as shall be equitable to ensure that all of the Lenders share any payment obtained in respect of the Obligations ratably in accordance with each Lender's share of the Obligations immediately prior to, and without taking into account, the payment, PROVIDED that, if all or any portion of a disproportionate payment obtained as a result of the exercise of the right of setoff, banker's lien, counterclaim or otherwise is thereafter recovered from the purchasing Lender by the Company or any Person claiming through or succeeding to the rights of the Company, the purchase of a participation shall be rescinded the purchase price thereof shall be restored to the extent of the recovery, but without interest. The Company expressly consents to the

foregoing arrangements and agrees that any Lender holding a participation in an Obligation so purchased pursuant to this SECTION 9 may exercise any and all rights of setoff, banker's

lien or counterclaim with respect to the participation as fully as if the Lender were the original owner of the Obligation purchased.

.4. TERM OF AGREEMENT. This Agreement shall terminate at such time as (i) the Lenders have no commitment to make Loans or issue Letters of Credit hereunder, (ii) no Loan or Letter of Credit shall be outstanding, and (iii) no Obligation shall be due.

.5. NO WAIVERS. No failure or delay by the Agent or the Lenders in exercising any right, power or privilege hereunder or under the Notes or under any other documents or agreements executed in connection herewith shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein and in the Loan Documents provided are cumulative and not exclusive of any rights or remedies otherwise provided by agreement or law.

.6. GOVERNING LAW. This Agreement and the Notes shall be deemed to be contracts made under seal and shall be construed in accordance with and governed by the laws the Commonwealth of Massachusetts (without giving effect to any conflicts of laws provisions contained therein).

.7. AMENDMENTS, WAIVERS, ETC. Except as otherwise expressly provided in this Agreement, or in any of the Loan Documents: (i) this Agreement and each of the other Loan Documents may be modified, amended or supplemented in any respect whatsoever only with the prior written consent or approval of the Majority Lenders and the Company; and (ii) the performance or observance by the Company of any of its covenants, agreements or obligations under any of the Loan Documents may be waived only with the written consent of the Majority Lenders; PROVIDED, HOWEVER, that the following changes shall require the written consent, agreement or approval of the all of the Lenders: (A) any change in the amount or the due date of the Loans; (B) any change in the interest rates prescribed herein or in any of the Loan Documents; (C) any change in the Commitment Amount or the Lender's Percentage of any of the Lenders; (D) any release of Collateral securing the Obligations; (E) any change in the terms of this SECTION 9.7 and (F) any change in the definition of Majority Lenders. Neither this Agreement nor the Loan Documents nor any provision hereof or thereof may be amended, waived, discharged or terminated except by a written instrument signed by the Agent and, in the case of amendments, by the Company.

.8. ASSIGNMENT AND PARTICIPATIONS.

(i) ASSIGNMENTS BY THE LENDERS. From and after the date hereof, any of the Lenders may at any time assign all, or a proportionate part of all, of its rights, interests and duties with respect to such Lender's commitment to make Loans hereunder and the Notes to one or more banks or other financial institutions (each, an "Assignee") on such terms, as between such Lender and each of its Assignees, as such Lender may think fit, and such Assignee shall assume such rights, interests and duties pursuant to an instrument executed by such Assignee and such Lender, and for this purpose such Lender may make available to each of its potential Assignees such information relating to the Company, this Agreement and the transactions contemplated hereby as such Lender may think necessary or desirable, which information shall be held by each potential Assignee strictly in confidence; PROVIDED,

HOWEVER, that prior to assigning any interest to any Assignee hereunder such Lender (a) shall notify the Company and the Agent in writing identifying the proposed Assignee and stating the aggregate principal amount of the proposed interest to be assigned, (b) receive the prior written consent of the Company, which shall not be unreasonably withheld, and the Agent, which consent may not be unreasonably withheld (c) shall not assign to any Assignee less than $10,000,000 of such Lender's commitment to make Loans hereunder and interest in the Notes; and (d) shall pay to the Agent a nonrefundable fee of $2500.00 per assignment. It is understood and agreed that the proviso contained in the immediately preceding sentence shall not be applicable in the case of, and this paragraph (i) shall not restrict (1) a collateral assignment or other similar transfer to any of the twelve Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341 or (2) any assignment to any of a Lender's respective branch operations or affiliates. Upon execution and delivery of such an instrument and payment by such Assignee to such Lender of an amount equal to the purchase price agreed between such Lender and such Assignee, such Assignee shall be a Lender party to this Agreement and shall have all the rights, interests and duties of a Lender with a commitment to make Loans hereunder as set forth in such instrument of assumption, and such Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this paragraph (i), such Lender, the Agent and the Company shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee.

(ii) PARTICIPATIONS BY THE LENDERS. From and after the date hereof, any of the Lenders shall be at liberty to offer participations in its commitment to make Loans hereunder and the Notes to one or more banks or other financial institutions (each, a "PARTICIPANT") on such terms as such Lender may think fit, and for this purpose such Lender may make available to each of its potential Participants such information relating to the Company, this Agreement and the transactions contemplated hereby as such Lender may think necessary or desirable, which information shall be held by each potential Participant strictly in confidence; PROVIDED, HOWEVER, that (a) the amount of any participation in such Lender's

commitment to make Loans hereunder and the Notes participated to each Participant shall be in an aggregate amount equal to not less than $5,000,000 of such commitment and the Notes, and (b) such Lender shall retain the sole right to consent to amendments to, or waivers of, the provisions of this Agreement and the Notes and the sole right and responsibility to enforce the obligations of the Company hereunder, under the Notes and the other Loan Documents; PROVIDED that such Lender may agree with each of its Participants that such Lender will not agree, without the consent of the Participant, to any amendment or waiver of any provision of this Agreement which would increase or otherwise change such Lender's Percentage or reduce the principal of or rate of interest on the Loans subject to such participation, or postpone the date fixed for any payment of principal or of interest on any Loans or terminate its security interest with respect to or release of any Collateral hereunder held by such Lender. Any Lender participating its commitment to make Loans and the Notes under this SECTION 9.8(ii) will promptly notify the Company of such participation and the name of any such participant.

(iii) No Assignee, Participant or other transferee of any Lender's rights shall be entitled to receive any greater payment under this Agreement than the original Lender would have been entitled to receive with respect to the rights transferred.

.9. INDEMNITY. The Company shall absolutely and unconditionally indemnify and hold the Agent and each of the Lenders harmless against any and all claims, demands, suits, actions, causes of action, damages, losses, settlement payments, obligations, costs, expenses and all other liabilities whatsoever which shall at any time or times be incurred or sustained by the Lender or by any of its shareholders, directors, officers, employees, subsidiaries, affiliates or agents (each an "INDEMNIFIED PARTY") (except any of the foregoing incurred or sustained as a result of the gross negligence or willful misconduct of the Agent, any Lender or any other Indemnified Party) on account of, or in relation to, or in any way in connection with, any of the arrangements or transactions contemplated by, associated with or ancillary to either this Agreement or any of the other documents executed or delivered in connection herewith (including, without limitation, those arising as a violation by the Company of any Environmental Laws), whether or not all or any of the transactions contemplated by, associated with or ancillary to this Agreement or any of such documents are ultimately consummated.

.10. BINDING EFFECT OF AGREEMENT. This Agreement shall be binding upon and inure to the benefit of the Company, the Lenders and the Agent and their respective successors and assigns; PROVIDED that the Company may not assign or transfer its rights or obligations hereunder.

.11. COUNTERPARTS. This Agreement may be signed in any number of counterparts with the same effect as if the signatures hereto and thereto were upon the same instrument.

.12. PARTIAL INVALIDITY. The invalidity or unenforceability of any one or more phrases, clauses or sections of this Agreement shall not affect the validity or enforceability of the remaining portions of it.

.13. CAPTIONS. The captions and headings of the various sections and subsections of this Agreement are provided for convenience only and shall not be construed to modify the meaning of such sections or subsections.

.14. NATURE OF LENDER'S OBLIGATIONS. Each Lender's obligation to make any Loan pursuant hereto is several and not joint or joint and several. A default by any Lender will not increase the Lender's Percentage attributable to any other Lender. Any Lender not in default may, if it desires, assume (in such proportion as the nondefaulting Lenders agree) the obligations of any Lender in default, but is not obligated to do so. The Agent agrees that it will use its best efforts either to induce the other Lenders to assume the obligations of a Lender in default or to obtain another Lender, reasonably satisfactory to the Company, to replace such a Lender in default.

.15. NONLIABILITY OF LENDERS. The Company acknowledges and agrees that:

(a) Any inspections of any property of the Company made by or through the Agent or the Lenders are for purposes of administration of the Loan Documents only and the Company is not entitled to rely upon the same;

(b) The relationship between the Company and the Lenders arising out of or related to this Agreement is, and shall at all times remain, solely that of a borrower and lender; neither the Agent nor any of the Lenders shall under any circumstance be construed to be a partner or a joint venturer of the Company or any of its Subsidiaries; neither the Agent nor any of the Lenders shall under any circumstance be deemed to be in a fiduciary relationship with the Company or any of its Subsidiaries in connection with this Agreement, or to owe any fiduciary duty to the Company or any of its Subsidiaries in connection with this Agreement; neither the Agent nor any of the Lenders undertakes or

assumes any responsibility or duty to the Company or any of its Subsidiaries to select, review, inspect, supervise, pass judgment upon or inform the Company or any of its Subsidiaries of any matter in connection with their property or the operations of the Company or any of its Subsidiaries; the Company and its Subsidiaries shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by the Lenders or the Agent in connection with such matters is solely for the protection of the Agent and the Lenders and neither the Company nor any other Person is entitled to rely thereon; and

(c) Neither the Agent nor any of the Lenders shall be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to property or other loss, damage, liability or claim caused by the actions, inaction or negligence of the Company and/or any of its Subsidiaries.

.16. CONFIDENTIALITY. Each Lender agrees to hold any confidential information which it may receive from the Company pursuant to or in connection with this Agreement or the exercise of any rights hereunder in confidence and to cause its officers, employees, agents and professional advisors to do likewise.

The foregoing shall not, however, restrict disclosure of any such confidential information by any Lender (a) to other Lenders; (b) to legal counsel, accountants and other professional advisors to the Company or that Lender retained in connection with this Agreement; (c) to regulatory officials having jurisdiction over that Lender; (d) as required by law or legal process or in connection with any legal proceeding to which that Lender and the Company are adverse parties; or (e) to another financial institution in connection with a disposition or proposed disposition to that financial institution of an assignment of or a participation interest in its Note in accordance with the terms of this Agreement, PROVIDED that such disclosure is made subject to an appropriate written confidentiality agreement on terms substantially similar to this Section and PROVIDED FURTHER that the Company is advised substantially concurrently with such disclosure of the identity of such financial institution. For purposes of the foregoing, "confidential information" shall mean any information respecting the Company reasonably considered by the Company to be confidential, OTHER THAN (i) information previously filed with any governmental agency and available to the public without filing a request under the Freedom of Information Act, (ii) information previously published in any public medium not furnished directly or indirectly, by that Lender and (iii) information previously disclosed by the Company to any Person not associated or affiliated with the Company or any of its officers, directors, agents, attorneys or employees without an appropriate confidentiality agreement and subsequently disclosed by that Person to a significant number of other Persons. Notwithstanding the foregoing, in the event that any information respecting the Company is published or disclosed to other Persons as described in clauses (ii) or (iii) of the preceding sentence, each Lender agrees that it will not without the Company's consent make any statement to a representative of a public medium or to any such Person (EXCEPT as may be described in the second sentence of this Section) which confirms or denies the accuracy of such information. Nothing in this Section shall be construed to create or give rise to any fiduciary duty on the part of the Agent or the Lenders to the Company.

.17. PURPORTED ORAL AMENDMENTS. THE AGENT, EACH OF THE LENDERS AND THE COMPANY EXPRESSLY ACKNOWLEDGES THAT THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY ONLY BE AMENDED OR MODIFIED, OR THE PROVISIONS HEREOF OR THEREOF WAIVED OR SUPPLEMENTED, BY AN INSTRUMENT IN WRITING THAT COMPLIES WITH SECTION 9.7. THE AGENT, EACH OF THE LENDERS AND THE COMPANY AGREES THAT IT WILL NOT RELY ON ANY COURSE OF DEALING, COURSE OF PERFORMANCE, OR ORAL OR WRITTEN STATEMENTS BY ANY REPRESENTATIVE OF THE AGENT, THE COMPANY OR ANY

LENDER THAT DOES NOT COMPLY WITH SECTION 9.7.

.18. WAIVER OF JURY TRIAL. THE AGENT, THE LENDERS AND THE COMPANY AGREE THAT NEITHER OF THEM NOR ANY ASSIGNEE OR SUCCESSOR SHALL (A) SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM OR ANY OTHER ACTION BASED UPON, OR ARISING OUT OF, THIS AGREEMENT, ANY RELATED INSTRUMENTS, ANY COLLATERAL OR THE DEALINGS OR THE RELATIONSHIP BETWEEN OR AMONG ANY OF THEM, OR (B) SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THE PROVISIONS OF THIS PARAGRAPH HAVE BEEN FULLY DISCUSSED BY THE AGENT, THE LENDERS AND THE COMPANY, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. NEITHER THE AGENT, THE LENDERS NOR THE COMPANY HAS AGREED WITH OR REPRESENTED TO THE OTHER THAT THE PROVISIONS OF THIS PARAGRAPH WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

.19. ENTIRE AGREEMENT. This Agreement, the Notes and the documents and agreements executed in connection herewith constitute the final agreement of the parties hereto and supersede any prior agreement or understanding, written or oral, with respect to the matters contained herein and therein.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

GUESS ?, INC.

By:

Title:

THE FIRST NATIONAL BANK OF BOSTON
AS AGENT AND LENDER

By:

Title:

SANWA BANK CALIFORNIA,
AS CO-AGENT AND LENDER

By:

Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED,
LOS ANGELES AGENCY, AS LENDER

By:

Title:

CREDIT LYONNAIS LOS ANGELES BRANCH AS LENDER

By:

Title:

SUMITOMO BANK OF CALIFORNIA, AS LENDER

By:

Title:

EXHIBIT A

GUESS ?, INC.

PROMISSORY NOTE

$ March __, 1997

For value received, the undersigned hereby promises to pay to (the "Lender"), or order, at the head office of the First National Bank of Boston (the "Agent") at 100 Federal Street, Boston, Massachusetts 02110, the principal amount of Dollars ($) or such lesser amount as shall equal the principal amount outstanding hereunder on the Revolving Credit Termination Date (as defined in the Agreement) in lawful money of the United States of America and in immediately available funds, and to pay interest on the unpaid principal balance hereof from time to time outstanding, at said office and in like money and funds, for the period commencing on the date hereof until paid in full, at the rates per annum and on the dates provided in the Agreement (as defined below) including additional interest due upon non-payment of principal or interest. Any accrued but unpaid interest shall be due and payable on the Revolving Credit Termination Date.

Nothing in the preceding sentence shall affect the Lender's rights to exercise any of its rights and remedies provided in the Agreement if an Event of Default (as defined in the Agreement) has occurred and is continuing.

This Note is issued pursuant to, and entitled to the benefits of, and is subject to, the provisions of a certain Amended Restated Revolving Credit Agreement dated as of March 28, 1997 by and between the undersigned, the Agent, Sanwa Bank California as Co-Agent and the other financial institutions party thereto, (herein, as the same may from time to time be amended or extended, referred to as the "Agreement"), but neither this reference to the Agreement nor any provision thereof shall affect or impair the absolute and unconditional obligation of the undersigned maker of this Note to pay the principal of and interest on this Note as herein provided.

As provided in the Agreement, this Note is secured by certain personal property of the undersigned.

In case an Event of Default shall occur, the aggregate unpaid principal of and accrued interest on this Note shall become or may be declared to be due and payable in the manner and with the effect provided in the Agreement.

The undersigned may at its option prepay all or any part of the principal of this Note before maturity upon the terms provided in the Agreement.

Except as set forth in any Loan Document (as defined in the Agreement),

the undersigned maker hereby waives presentment, demand, notice of dishonor, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note.

This promissory note shall have the effect of an instrument executed under seal and shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts (without giving effect to any conflicts of laws provisions contained therein).

GUESS ?, INC.,

By:

Title:

SCHEDULE I TO PROMISSORY NOTE

DATE	Amount of Loan	Type of Loan (Eurodollar or Base Rate,	Interest Rate	Interest Period*	Amount Paid	Notation Made By

* For Eurodollar Loans only

EXHIBIT B

GUESS ?, INC.

Re: Amended and Restated Revolving Credit Agreement
Dated as of March ___, 1997 (the "Agreement")

Gentlemen:

Pursuant to Section 2.2 of the Agreement, the undersigned hereby confirms its request made on , 19 for a [Base Rate] [Eurodollar] Loan in the amount of $ on , 199 .

[The Interest Period applicable to said Loan will be [one] [two] [three] [six] months [30] [60] [90] days.]*

[Said Loan represents a conversion/continuation of the [Base Rate] [Eurodollar] Loan in the same amount made on .]**

[The representations and warranties contained or referred to in Section 4 of the Agreement are true and accurate on and as of the effective date of the Loan as though made at and as of such date (except to the extent that such representations and warranties expressly relate to an earlier date); and no Default has occurred and is continuing or will result from the Loan.]***

GUESS ?, INC.

By:

Title:

Date:

* To be inserted in any request for a Eurodollar Loan.
[** To be inserted in any request for a conversion or continuation.]
[*** To be inserted on any request other than for a continuation.]

EXHIBIT C

INDEBTEDNESS; ENCUMBRANCES

A. INDEBTEDNESS

1. $130,000,000 aggregate principal amount of 9-1/2% Senior Subordinated Notes due 2003 and 9-1/2% Series B Senior Subordinated Notes due 2003 issued pursuant to an Indenture with First Trust National Association. Principal balance outstanding as of December 31, 1996, was $105,000,000.

2. A secured revolving credit facility in the aggregate principal amount of up to $100,000,000 with The First National Bank of Boston, as Agent, and certain commercial banks party thereto. As of December 31, 1996, there was $16,000,000 principal balance outstanding under such facility.

3. A loan in the original principal amount of $3,593,750 from Clayton Brown Capital Corporation (assigned from Sentry Financial Corporation) relating to the financing of a Gulfstream Aerospace G-II (serial number 167 and FAA registration N120GS) and two (2) installed Rolls Royce Model Spey 511-8 jet engines (serial numbers 8854 and 8855). Principal balance outstanding as of December 31, 1996, was $1,039,954.

4. Guess Italia, S.r.l., a subsidiary of Guess?, Inc., has an unsecured revolving credit facility in the aggregate principal amount of up to $6,300,000 with Credito Bergamasco, as Agent. As of December 31, 1996, there was $3,119,972 principal balance outstanding under such facility.

5. Estimated $2,000,000 principal balance outstanding of S Distribution Notes due January 1, 1997, issued in conjunction with the Company's IPO. On December 31, 1996 the due date was extended to April 1, 1997.

EXHIBIT D

LITIGATION

Brenda Figueroa et al. v. Guess ?, Inc. et al. (Dist. Ct. Case No. 96-5484HLH (Jgx)).

Figueroa, et al. v. Guess ?, Inc., et al., LASC Case No. BC 165 (State Action).

NLRB Case No. 21-CA-31817.

NLRB Case No. 21-CA-31859.

NLRB Case No. 31-CA-22380.

NLRB Case No. 21-CA-31524.

NLRB Case No. 21-CA-31565.

NLRB Case No. 21-CA-31648.

NLRB Case No. 21-CA-31561.

NLRB Case No. 21-CA-31807.

EXHIBIT E

SUBSIDIARIES

Guess Europe, B.V.

Guess Italia, S.r.l.

Ranche, Limited

EXHIBIT F

GUESS ?, INC.

REPORT OF CHIEF FINANCIAL OFFICER

GUESS ?, INC. (the "Company") HEREBY CERTIFIES that:

This Report is furnished pursuant to Section 5.1(c) of the Amended and Restated Revolving Credit Agreement dated as of March 28, 1997 by and between the Company and The First National Bank of Boston (the "Bank of Boston"), as Agent, Sanwa Bank California, as Co-Agent, and the other Lenders party thereto (the "Agreement"). Unless otherwise defined herein, the terms used in this Report have the meanings given to them in the Agreement.

As required by Section 5.1(a) and (b) of the Agreement, consolidated financial statements of the Company and its Subsidiaries for the [year/month/quarter] ended , 19 (the "Financial Statements") prepared in accordance with GAAP consistently applied accompany this Report. The Financial Statements present fairly the consolidated financial position of the Company and its Subsidiaries as at the date thereof and the consolidated results of operations of the Company and its Subsidiaries for the period covered thereby (subject only to normal recurring year-end adjustments).

The figures set forth in Schedule A for determining compliance by the Company with the financial covenants contained in the Agreement are true and complete as of the date hereof.

The activities of the Company and its Subsidiaries during the period covered by the Financial Statements have been reviewed by the Chief Financial Officer or by employees or agents under his immediate supervision. Based on such review, to the best knowledge and belief of the Chief Financial Officer, and as of the date of this Report, no Default has occurred and is continuing.**

- ---------------

** If a Default has occurred, this paragraph is to be modified with an appropriate statement as to the nature thereof, the period of

existence thereof and what action the Company has taken, is taking, or proposes to take with respect thereto.

WITNESS my hand this day of , 19 .

GUESS ?, INC.

By:

Title:

SCHEDULE A
to
EXHIBIT F

FINANCIAL COVENANTS

CURRENT RATIO (SECTION 5.7)

REQUIRED: 1.75:1.00

ACTUAL:

(i)	Consolidated Current Assets		$
(ii)	Consolidated Current Liabilities		
(iii)	Current portion of Indebtedness for Money Borrowed		$
(iv)	Line (ii) less line (iii)		$
(v)	Line (i) divided by line (iv)		:1.00

LEVERAGE RATIO (SECTION 5.8)

MAXIMUM: 2.75:1.00

ACTUAL:

(i)	Indebtedness for Money Borrowed		$
(ii)	Consolidated Cash Flow		$
(iii)	Excess Dividends		$
(iv)	Line (ii) less line (iii)	$	
(vi)	Line (i) divided by line (iv)		:1.00

TOTAL INTEREST COVERAGE (SECTION 5.9)

REQUIRED: 3.00:1.00

ACTUAL: $

(i)	Consolidated EBITDA		
(ii)	Capital Expenditures		$
(iii)	Line (i) less Line (ii)	$	

(iv)	Consolidated Total Interest Expense		$
(v)	Line (iii) divided by line (iv)		:1.00

TOTAL FIXED CHARGE COVERAGE (SECTION 5.10)

REQUIRED: 2.00:1.00

ACTUAL:

(i)	Consolidated Cash Flow		$
(ii)	Payments on Operating Leases		$
(iii)	Sum Total of Line (i) plus Line (ii)	$	
(iv)	Consolidated Total Debt Service		$
(v)	Payments on Operating Leases		
(vi)	Sum Total of Line (iv) plus Line (v)		
(vii)	Line (iii) divided by Line (iv)		:1.00

PROFITABILITY (SECTION 5.11)

REQUIRED: $ 1.00

ACTUAL:

	Consolidated net income	$

INVENTORY TURNOVER (SECTION 5.12)

MINIMUM: 2.25 Turns

ACTUAL:

(i)	Total cost of sales for the Company for the four fiscal quarters ended		$
(ii)	Book Value of inventory at end of current fiscal quarter		$
(iii)	Book value of inventory at beginning of measurement period		$
(iv)	Line (ii) plus line (iii)		$
(v)	Line (iv) divided by 2		$
(vi)	Line (i) divided by line (v)	____ Turns	

WITNESS my hand this _____ day of _____, 19__.

GUESS ?, INC.

By:

Title:

EXHIBIT G

FORM OF OPINION OF INSIDE COUNSEL TO COMPANY

March 28, 1997

FORM OF INSIDE COUNSEL OPINION

The First National Bank of Boston,
as Agent
100 Federal Street
Boston, Massachusetts 02110

The Lenders listed on Schedule I hereto

Re: GUESS ?, INC. REVOLVING CREDIT AGREEMENT

_____:

I am the General Counsel of Guess ?, Inc., a Delaware corporation (the "Company"), and in such capacity I have served as counsel for the Company with respect to that certain Amended and Restated Revolving Credit Agreement (the "Credit Agreement") dated as of _____, 1997 by and between the Company, The First National Bank of Boston ("BKB"), as Agent (as defined therein), Sanwa Bank California, as Co-Agent (as defined therein), and the financial institutions party thereto (the "Lenders"). Capitalized terms used herein and not otherwise defined herein shall have the same meanings herein ascribed thereto in the Credit Agreement. This opinion is being delivered pursuant to Section 3.1( ) of the Credit Agreement.

In my examination I have assumed the completeness and accuracy of the Company's corporate records, the genuineness of all signatures (other than those of officers of the Company), including endorsements, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts material to this opinion which I did not independently establish or verify, with your permission, I have relied upon statements and representations of the Company and its officers and other representatives and of public officials, including, without limitation, the statements and representations set forth in the Company's Certificate described below in clause (d).

In regarding the opinions set forth herein, I have examined and relied on originals or copies of the following:

(a) an executed copy of the Credit Agreement;

(b) an executed copy of the Amended and Restated Security Agreement;

(c) the Amended and Restated Notes;

(d) a certificate of the Company executed by Roger A. Williams, Executive Vice President and Chief Financial Officer, dated the date hereof, a copy of which is attached hereto as Exhibit A (the "Company's Certificate");

(e) a certificate from the Secretary of State of Delaware as to the good standing of the Company in the State of Delaware;

(f) copies of the Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Company, in each case, as amended to date;

(g) a certified copy of certain resolutions of the Board of Directors of the Company adopted as of _____, 1997; and

(h) such other documents as I have deemed necessary or appropriate as a basis for the opinions set forth below.

Whenever a statement herein is qualified by the phrase "to the best of my knowledge, after due inquiry", it is intended to indicate that (a) no information that would give me current actual conscious knowledge of the inaccuracy of such statement has come to my attention, and (b) my inquiry has been limited to officers of the Company.

The Credit Agreement, the Amended and Restated Notes and the Amended and Restated Security Agreement shall hereinafter be referred to as the "Loan Documents."

I am admitted to the Bar of State of California and I express no opinion as to the laws of any jurisdiction other than the laws of the United States of America to the extent specifically referred to herein.

My opinions are subject to the assumption and qualification that I have assumed that no other agreements exist between or among the various parties that would materially alter the terms or agreements set forth in any of the Loan Documents.

Based upon the foregoing and subject to the limitations, qualifications, exceptions and assumptions set forth herein, I am of the opinion that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

2. The Company is duly qualified as a foreign corporation and is in good standing in each jurisdiction (other than the State of Delaware) in which the conduct of its business or the ownership or leasing of its properties makes such qualification necessary, EXCEPT where the failure so to qualify or to be in good standing would not reasonably be likely to have a material

adverse effect on the business, financial condition, assets or properties of the Company and its Subsidiaries, taken as a whole.

3. The Company has the requisite corporate power and authority to conduct its business as now being conducted and to own its property.

4. The execution, delivery and performance by the Company of each of the Loan Documents does not:

(a) require any consent or approval not heretofore obtained of any partner, stockholder, security holder or to the best of my knowledge, after due inquiry, any creditor of the Company; and

(b) to the best of my knowledge, after due inquiry, result in a breach or default under, or would with the giving of notice or the lapse of time or both constitute a breach of or default under, any indenture or loan or credit agreement or any other agreement to which the Company is a party or by which the Company

or any of its material property is bound or affected.

5. The execution and delivery by the Company of each of the Credit Documents and the performance by the Company of its obligations under each of the Credit Documents does not conflict with the Certificate of Incorporation or Bylaws of the Company.

6. Neither the execution, delivery or performance by the Company of the Credit Documents nor the compliance by the Company with the terms and provisions thereof will contravene any provision of any Applicable Law. For purposes of this paragraph 6 and paragraph 7 below, "Applicable Laws" shall mean those laws, rules and regulations of the State of California and the United States of America (including, without limitation, Regulations G and U of the Federal Reserve Board) which, in our experience, are normally applicable to transactions of the type contemplated by the Loan Documents and are not otherwise the subject of a specific opinion herein that expressly refers to a particular law or laws.

7. No Governmental Approval, which has not been obtained or taken and is not in full force and effect, is required to authorize or is required in connection with the execution, delivery or performance of any of the Loan Documents by the Company. For the purposes of this paragraph 7, the term "Governmental Authority" means any federal or California legislative, judicial, administrative or regulatory body and the term "Governmental Approval" means any consent, approval, license, authorization or validation of, or filing, recording or registration with, any Governmental Authority pursuant to Applicable Laws.

8. The Company is not required to be registered as an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

9. To the best of my knowledge, after due inquiry, EXCEPT for matters set forth in Exhibit E to the Credit Agreement, there is no action, proceeding or investigation pending as to which the Company has been served or

has received notice, affecting the Company or any of its property before any governmental agency, governmental authority, court or administrative tribunal which is reasonably likely to have a material adverse effect on the business, financial condition, assets or properties of the Company and its Subsidiaries, taken as a whole.

This opinion is rendered to you in connection with the transactions referred to herein and may not be used, circulated, quoted, relied upon or otherwise referred to by any other person without my prior written consent. All statements herein are based upon information known to the undersigned as of the date hereof and I do not undertake to make further inquiry nor to take further steps or otherwise advise or update this opinion. I express no opinion regarding the effects of agreements entered into or events occurring after the date hereof, and I disclaim any responsibility to advise you of changes of facts or law occurring after this date.

Very truly yours,

Glenn A. Weinman

Attachment

Schedule I

LENDERS

EXHIBIT "A"

GUESS ?, INC.

OFFICER'S CERTIFICATE

Reference is made to that certain Amended and Restated Revolving Credit Agreement, (the "Credit Agreement") dated as of _____, 1997 between Guess ?, Inc. (the "Company"), The First National Bank of Boston ("BKB") as Agent (as defined therein), Sanwa Bank California, as Co-Agent (as defined therein), and the financial institutions party thereto.

Terms defined in the Credit Agreement and not otherwise defined herein are used herein with the meanings so defined therein.

The undersigned officer of the Company, for purposes of the opinion to be delivered by Glenn Weinman, Esq., General Counsel of the Company, pursuant to Section 3.1 (f) of the Credit Agreement, and recognizing that Mr. Weinman will rely on this Certificate in delivering said opinion, hereby certifies to the best of his knowledge and belief that:

1. The Company is engaged primarily in the business of designing, manufacturing and the wholesale and retail sale of clothing and accessories and licensing the use of its name and trademark for the manufacture and distribution of merchandise; and the Company is not engaged primarily nor does it propose to engage primarily in the business of investing, reinvesting, or trading in securities.

2. The Company does not own nor does it propose to acquire investment securities having a value exceeding forty percent (40%) of the value of the Company's total assets (exclusive of government securities and cash items) on an unconsolidated basis.

3. The Company is not engaged nor does it propose to engage in the business of issuing face-amount certificates of the installment type, nor has it been engaged in such business nor does it have any certificate outstanding.

4. The Company does not own or operate facilities used for the generation, transmission, or distribution of electric energy for sale ("electric utility facilities").

5. The Company does not own or operate facilities used for the distribution at retail of natural or manufactured gas for heat, light, or power ("gas utility facilities").

6. The Company does not directly or indirectly, or through one or more intermediary companies, own, control, or hold with power to vote (a) ten percent (10%) or more of the outstanding securities, such as notes, drafts, stock treasury stock, bonds, debentures, certificates of interest or participations in any profit sharing agreements or in oil, gas, other mineral

royalties or leases, collateral-trust certificates, preorganization certificates or subscriptions, transferable shares, investment contracts, voting-trust certificates, certificates of deposit for a security, receiver's or trustee's certificates, or any other instrument commonly known as a "security" (including certificates of interest or participation in, temporary or interim certificates, for receipt for, guaranty of, assumption of liability on, or warrants or rights to subscribe to or purchase any of the foregoing) presently entitling it to vote in the direction or management of, or any such instrument issued under or pursuant to any trust, agreement, or arrangement whereby a trustee or trustees or agents or agents for the owner or holder of such instrument is presently entitled to vote in the direction or management of, any corporation, partnership, association, joint-stock company,

joint venture or trust that owns or operates any electric utility facilities or gas utility facilities, or (b) any other interest, directly or indirectly, or through one or more intermediary entities, in (i) any corporation, partnership, association, joint-stock company, joint venture or trust that owns or operates any electric utility facilities or gas utility facilities, or in (ii) any of the foregoing types of entities which have received notice of the sort described in Paragraph 7 below.

7. The Company has not received notice that the Securities and Exchange Commission has determined, or may determine, that the Company exercises a controlling influence over the management or direction of the policies of a gas utility company or an electric utility company as to make it subject to the obligations, duties and liabilities imposed on holding companies by the Public Utility Holding Company Act of 1935, as amended.

8. Except for matters set forth in Exhibit D to the Credit Agreement, there are no actions, proceedings or investigations pending as to which the Company has been served or has received notice or affecting the Company or any of its property before any which is reasonably likely to have a material adverse effect on the business, financial, condition, assets or properties of the Company and its Subsidiaries, taken as a whole.

IN WITNESS WHEREOF, I have signed this Certificate on behalf of the Company as of the 28th day of March, 1997.

GUESS ?, INC.

By: _____
Roger A. Williams
Executive Vice President and
Chief Financial Officer

EXHIBIT H

STANDBY LETTER OF CREDIT AGREEMENT

"Application" means the written application by the Customer to the Bank for the issuance of a letter of credit and includes all modifications made with the Customer's written or oral agreement or consent.

"Bank" means the First National Bank of Boston and includes its overseas branches.

"Collateral" includes all property in which the Bank at any particular time has a security interest and the proceeds thereof.

"Credit" means a letter of credit issued pursuant to the Application, including any amendments or modifications to such Credit.

"Customer" means the party or parties signing the Application jointly and severally if more than one.

"Uniform Customs and Practice" means the "Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce, Publication No. 400, and any subsequent revisions thereof approved by the International Chamber of Commerce.

_____

In consideration of the Bank opening at the Customer's request, a Credit, the Customer hereby agrees with the Bank as follows:

1. The Customer will pay the Bank, in United States currency, the amount of each drawing under the Credit, together with interest, commissions, all customary charges, and all other disbursements or payments by the Bank demand with interest from the date of payment under the Credit to the date of payment by the Customer to the Bank. If a drawing is payable in foreign currency, the Customer will pay the Bank the equivalent of the amount of such drawing in United States currency, at the Bank's then selling rate for cable transfers to take the place of payment or to the place of the Bank's settlement of its obligation, as the Bank may require. If there is no rate of exchange for effecting such cable transfer, the Customer will pay the Bank on demand the amount in United States currency equivalent to the Bank's actual cost of settlement, with interest on the amount in United States currency payable by the Customer from the date of settlement to the date of payment by the Customer. Unless otherwise agreed, interest and commission payable hereunder shall be at such rate as the Bank may deem appropriate: provided however, that the rate of interest on default on any of the Customer's obligations hereunder will be 125 percent of the Base Rate. The Base Rate is the rate of interest announced from time to time by the Bank at its head office as its Base Rate. Any amount which at any time may be owing by the Customer to the Bank pursuant to this Agreement may be charged against any funds held by the Bank for the account of the Customer.

2. The Customer will promptly examine (a) the copy of the Credit (and any amendments thereof) sent to it by the Bank and (b) all instruments and documents delivered to it from time to time by the bank, and the Customer will within twenty-four (24) hours or receipt thereof, notify the bank of any irregularity or claim of non-compliance with the Customer's instructions. The Customer is conclusively deemed to have waived any such claim against the Bank and its correspondents unless such notice is given as aforesaid.

3. The Customer agrees to indemnify the Bank and its correspondents for and hold them harmless against any and all claims, loss, liability, or damage, including reasonable attorney fees, howsoever arising from or in connection with the Credit. The agreements in this paragraph will survive any payment under or termination of this Agreement.

4. The Customer will pay the Bank on demand all charges, costs, and expenses including reasonable attorney fees, incurred by paid by the Bank in connection with the exercise of any right, power, or remedy hereunder, or in the enforcement thereof.

5. Any deposits or other sums at any time credited by or due from the Bank to the Customer and any securities or other property of the Customer in the possession of the Bank or any of its correspondents may at all times be held and treated as collateral for the payment of any obligations of the Customer to the Bank hereunder, whether direct or indirect, absolute or contingent, due or to become due, now existing of hereafter arising. Regardless of the adequacy of any Collateral, any deposits or other sums credited by or due from the Bank to the Customer may, at any time, be applied to or set off against such liabilities and obligations without notice.

6. If the bank shall in good faith deem itself insecure at any time, or upon (1) failure of the Customer to perform any of its obligations under this Agreement, or any of its obligations for borrowed money or in respect of any extension of credit or accommodation under any lease, (2) the death, insolvency, dissolution, termination of existence, suspension of business, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any law relating to Bankruptcy or insolvency by or against the Customer, (3) the issuance of or application for a writ or order of attachment or garnishment against any Collateral or a substantial part of the property or assets of the Customer, or (4) any governmental authority, or any court at the instance of any governmental authority, taking possession of any substantial part of the

property of the Customer or assuming control over the affairs or operations of the Customer, thereupon, the Bank may, (a) without notice or demand, declare any and all of the obligations and liabilities, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of the Customer to the Bank under this Agreement, to be immediately due and payable, and the Bank will have all of the rights and remedies provided hereunder and by law and/or (b) require the Customers to deliver to the Bank to be held and treated as Collateral such other property of the Customer equal in amount or value to 125% of the Credit, and the Customer shall promptly deliver the same upon request.

7. Neither the Bank nor its correspondents shall be in any way responsible for performance by any Beneficiary of its obligations to the Customer, nor for the form, sufficiency, correctness, genuineness, authority of person signing, falsification or legal effect of any documents called for under the Credit if such documents on their face appear to be in order.

8. The Bank may honor, as complying with the terms of the Credit and of the Application therefor, any drafts or other documents otherwise in order signed or issued by an administrator, executor, conservator, trustee in Bankruptcy, debtor in possession, assignee for benefit of creditors, liquidator, receiver, or other legal representative of the party authorized under the Credit to draw or issue such drafts or other documents.

9. Unless otherwise expressly agreed to, the Customer hereby authorizes the Bank to (a) select an advising bank, if any, (b) authorize or restrict negotiation under the Credit, and (c) waive any such restriction on negotiation.

10. This Agreement and request or consent to any modification, change, amendment, waiver, or any other action pursuant to the Agreement, will be binding upon the Customer and its respective heirs, executors, administrators, successors, and assigns and will inure to the benefit of and be enforceable by the Bank, its successors, and assigns. In the event that any provision hereof is determined by a court of competent jurisdiction to be invalid, such invalidity will not affect any other provision of this Agreement, The Customer represent and warrants that the execution, delivery, and performance by the Customer hereof has been duly authorized by all necessary corporate and/or other action and that the making and performance hereof by the Customer does not and will not contravene the terms of any existing law, agreement, or instrument by which t he Customer is bound or to which the Customer is subject.

11. The failure of the Bank to enforce at any time any provision hereof will not be construed to be a waiver of such provision or of the right of the Bank thereafter to enforce any such provision.

12. The credit will be subject to, and performance by the Bank, its correspondents and Beneficiary thereunder will be governed by, the Uniform Customs and Practice, except to the extent it is otherwise expressly agreed. In the event the credit is subject to laws other than the Uniform Customs and Practice, any action , inaction, or omission on the part of the Bank or its correspondents in connection with the Credit, and in good faith reliance on such laws, will be deemed to be in compliance with the credit and this Agreement and Customer hereby indemnifies the Bank and its correspondents from and holds them harmless against any and all loss, liability, damage, cost, or expense (including reasonable attorney fees) incurred thereby.

13. It is agreed that all directions and correspondence relating to the Credit are to be sent at the Customer's risk and that the Bank does not assume any responsibility for any inaccuracy, interruption, error, or

delay in transmission or delivery by post, telegraph, cable, or courier for any inaccuracy of translation.

14. This Agreement is made in the Commonwealth of Massachusetts and shall be deemed to be a contract under seal to be governed by and construed in accordance with the laws of said Commonwealth. The Bank's rights, powers, and remedies specified herein are cumulative and are in addition to those otherwise created or existing by law or agreement.

EXHIBIT I

DOCUMENTARY LETTER OF CREDIT AGREEMENT

This Agreement is made as of December 22, 1995 ("Effective Date") by and between:

(1) THE FIRST NATIONAL BANK OF BOSTON, a national banking association with its main offices located at 100 Federal Street Boston, Massachusetts, including its overseas branches, affiliates, and subsidiaries ("Bank"): and

(2) GUESS?, INC., a Delaware corporation, having offices at 1444 So. Alameda Street, Los Angeles, California 90021 ("Customer").

"Application" means the written application by the Customer to the Bank for the issuance of a letter of credit and includes all modifications made with the Customer's written agreement or consent.

"Bank" means The First National Bank of Boston and includes its overseas branches.

"Business Day" means any day in which banks located in Boston, Massachusetts, Hong Kong and Los Angeles, California are generally transacting banking business.

"Credit" means a commercial letter of credit issued pursuant to an Application, including any amendments or modifications of such Credit.

"Customer" shall have the meaning set forth above.

"Designated Senior Indebtedness" means at any time (i) all Senior Indebtedness under the Loan Agreement, and (ii) any other Senior Indebtedness which, at the time of determination, has an aggregate principal amount outstanding of at least $25,000,000 and is specifically designated in the instrument evidencing such Senior Indebtedness as "Designated Senior Indebtedness."

"Indebtedness" means, with respect to any person, without duplication (a) all indebtedness of such person (1) for borrowed money or for the deferred purchase price of property of services (other than trade payables or current liabilities arising in the ordinary course of business), (b) all obligations, contingent or otherwise, of such person in connection with any letters of credit or acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities, (c) all indebtedness created or arising under any conditional sale or other title retention agreements with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables and other accrued current liabilities of such person arising in the ordinary course of business, (d) all obligations under interest rate contracts of such person, (e) all redeemable capital stock of such person valued at the greater of its voluntary of involuntary liquidation preference plus accrued and unpaid dividends, (f) any liability of others described in the preceding clauses (a), (b), (c), (d) and (e) that such person has guaranteed or that is otherwise its legal liability and (g) any amendment, supplement, modification,

deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a), (b), (c), (d), (e) and (f) above.

"Indenture" means the Indenture dated as of August 23, 1993, between the Customer and First Trust National Association, as trustee, pursuant to which $130,000,000 aggregate principal amount of 92% Series B Senior Subordinated Notes due 2003 of the Customer have been and/or will be issued.

"Non-payment Default" means any event (other than a Payment Default) the occurrence of which entitles one or more persons to accelerate the maturity of any Designated Senior Indebtedness.

"Payment Default" means any default in the payment or required prepayment of principal of, premium, if any, or interest, on any Designated Senior Indebtedness when due (whether at final maturity, upon scheduled installment, mandatory prepayment, acceleration or otherwise).

"Ranche" means Ranche Limited, doing business as Guess International, a Hong Kong corporation.

"Ranche Reimbursement Agreement" means the Continuing commercial Letter of Credit Reimbursement and Security Agreement between Ranche and the Bank dated as of November 22, 1994, and all amendments thereto.

"Securities" shall mean any of the $130,000,000 aggregate principal amount of the Customer's 92% Senior Subordinated Notes due 2003 and 92% Series B Senior Subordinated Notes due 2003 issuable as provided in the Indenture.

"Senior Indebtedness" means (i) the principal of, premium, if any, and interest (including interest, to the extent allowable, accruing after the filing of a petition initiating any proceeding under any state or federal bankruptcy law) on, and other amounts due in connection with the Revolving Credit Agreement dated as of December 20, 1993, among the Customer, The First National Bank of Boston, as Agent, and the group of financial institutions party thereto, as amended by the first Amendment to revolving Credit Agreement dated as of January 20, 1994, as further amended by the Second Amendment and Waiver to Revolving Credit Agreement dated as of April 1, 1994, as further amended by the Third Amendment and Waiver to Revolving Credit Agreement dated July 18, 1994, as further amended by the Fourth Amendment and Waiver to Revolving Credit Agreement dated as of February 13, 1995, as further amended by the Sixth Amendment to Revolving Credit Agreement dated as of September 14, 1995, and as further amended by the Seventh Amendment to Revolving Credit Agreement dated of even date herewith, and as the same may be supplemented or amended from time to time (collectively, the "loan Agreement") (including, without limitation, contingent obligations with respect to undrawn letters of credit issued thereunder and commitment fees, agency fees, costs and expense reimbursements and indemnifications payable thereunder) (provided, however, that any Indebtedness under any refinancing, refunding or replacement of the Loan Agreement shall not constitute Senior Indebtedness to the extent that such Indebtedness is by its terms subordinate to any other Indebtedness of the customer)and (ii) the principal of, premium, if any, and interest (including interest, to the Customer) and (ii) the principal of, premium, if any, and interest (including interest, to the extent allowable, accruing after the filing of a petition initiating any proceeding under any state of federal

bankruptcy law) on any Indebtedness of the Customer (other than as otherwise provided in this definition), whether outstanding on the date of the Indenture or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing, or the agreement governing, such Indebtedness or pursuant to which such Indebtedness is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the Securities. Notwithstanding the foregoing,

"Senior Indebtedness" shall not include (A) Indebtedness evidenced by the Securities, (B) Indebtedness that is by its terms subordinate or junior in right of payment to any Indebtedness of the Customer, (C) Indebtedness which, when incurred and without respect to any election under Section 1111(b) of Title 11, United States Code, as amended, is without recourse to the Customer, (D) that portion of any Indebtedness which at the time of issuance is issued in violation of the Indenture, (E) Indebtedness of the Customer to a subsidiary of the Customer or any other affiliate of the Customer or any of such affiliate's subsidiaries, (F) Indebtedness of the Customer which is represented by redeemable capital stock, (G) any liability for federal, state, local or other taxes owed or owing by the Customer, (H) Indebtedness of the Customer for goods, materials or services purchased in the ordinary course of business or Indebtedness of the Customer consisting of trade payables or other current liabilities, (I) Indebtedness of or amounts owning by the Customer for compensation to employees or for services and (J) amounts owing by the Customer under leases (other than capital lease obligations).

"Subordinated Indebtedness" means any Indebtedness of the Customer subordinated in right of payment of the Securities.

"Uniform Customs and Practices" means the "Uniform Customs and Practice for Documentary credits" (1993 Revision), International Chamber of Commerce, Publication No. 500, and any subsequent revisions thereof approved by the International Chamber of Commerce.

In consideration of the Bank opening at the Customer's request, from time to time, a Credit the Customer hereby agrees with the Bank as follows:

1. AGREEMENT TO PAY. The Customer will pay the Bank, in United States currency, the amount of each drawing under any Credit, together with commissions, all customary charges and all other payments by the Bank pursuant to the Credit or this Agreement, such payment to be made (a) within one Business Day of demand thereof in the case of each drawing at sight, with interest, as provided below, from the date one Business Day after such payment is due under the Credit to the date of payment by the Customer to the Bank, and (b) in time for cover to reach the place of payment I the course of ordinary mail no later than one Business Day prior to maturity in the case of each acceptance. If a drawing is payable in foreign currency, the Customer shall pay the Bank the equivalent of the amount of such drawing in United States currency, at the Bank's then selling rate for cable transfers to the place of payment or to the place of the Bank's settlement of its obligation, as the Bank may require. If there is no rate of exchange for effecting such cable transfer, the Customer will pay the Bank within one Business Day of demand thereof the amount in United States currency equivalent to the Bank's actual cost of settlement, with interest, as provided below, on the amount in United States currency payable by the Customer from the date one Business Day after the due date of such payment to the date of payment by the Customer. If payment is not made within the time period provided in this paragraph, the

rate of interest on default on any of the Customer's obligations hereunder will be the Base Rate. The Base Rate is the rate of interest announced from time to time by the Bank at its head office as its Base Rate. Any amount which at any time any be due and owing by the Customer to the Bank pursuant to this Agreement may be charged against any funds held by the Bank for the account of the Customer.

2. MAXIMUM AMOUNT OF CREDITS. The maximum aggregate face amount of Credits outstanding hereunder shall not at anytime exceed $25,000,000. Notwithstanding the foregoing, maximum aggregate face amount of Credits outstanding hereunder shall not at any time exceed the difference between (i) $25,000,000 and (ii) the aggregate face amount of Credits outstanding under the Ranche Reimbursement Agreement at such time.

3. OBLIGATIONS PARI PASSU WITH SECURITIES. The obligations and liabilities of the Customer hereunder and with respect to all Credits issued hereunder shall be

PARI PASSU with the Securities issued by the Customer pursuant to the Indenture.

4. APPROVAL OF CREDIT BY CUSTOMER. The Customer will promptly examine (a) the copy of the Credit (and any amendments thereof) sent to it by the Bank and (b) all instruments and documents delivered to it from time to time by the Bank, and the Customer will, within one Business Day of receipt thereof, notify the Bank of any irregularity or claim of noncompliance with the Customer's instructions. The Customer is conclusively deemed to have waived any such claim against the Bank and its correspondents unless such notice is given as aforesaid.

5. DOCUMENTATION. The Customer will procure promptly any necessary documentation, permits or licenses for the import, export or shipping of the property in connection with which the Credit is issued; will comply with all foreign and domestic governmental requirements relating to the shipment or financing of such property; and will furnish such evidence that the above requirements have been fulfilled as the Bank may reasonably require. The Customer will keep such property insured in amounts, against risks and with companies reasonably satisfactory to the Bank; will name the Bank as loss payee and additional insured under standard loss payable endorsements under all policies insurance applicable to the Credits in the amount of the Credits and will furnish the Bank on demand with evidence of endorsement. Should the insurance upon such property for any reason be unsatisfactory to the Bank, the Bank may, at the Customer's expense, upon five (5) days prior notice to the customer, obtain insurance reasonably satisfactory to the Bank.

6. INDEMNITY. The Customer agrees to indemnify the Bank and its correspondents for and hold them harmless against any and all claims, loss, liability or damage, including reasonable attorney fees, howsoever arising from or in connection with the Credit , including any such claim or loss in connection with the surrender or endorsement of any bill of lading, warehouse receipt or other document at any time held by the Bank or any of its correspondents in connection with the Credit, other than as a result of the gross negligence or willful misconduct of the Bank. The agreements in this paragraph shall survive any payment under or termination of the Agreement, up to the applicable statute of limitations.

7. COSTS AND EXPENSES. The Customer shall pay the Bank within one Business Day of demand thereof all reasonable out-of-pocket expense, including reasonable attorney fees, incurred or paid by the Bank in connection with the exercise of any right, power or remedy hereunder, or in the enforcement thereof.

8. SET-OFF RIGHTS. Any deposits or other sums at any time credited by or due from the Bank to the Customer and any securities or other property of the Customer and any securities or other property of the Customer in the possession of the Bank or any of its correspondents shall at all times be subject to the rights of the Bank to set-off against such sums for the payment of any obligations of the Customer to the Bank hereunder, if direct, absolute and due, whether now existing or hereafter arising. Regardless of any other means of obtaining repayment of the obligations hereunder, any deposits or other sums redited by or due from the Bank of the Customer may, at any time and from time to time after the occurrence and during the continuation of a Payment Default or Non-payment Default hereunder, be applied to or set off against liabilities and obligations of the Customer which are then due and payable, without notice or compliance with any other condition precedent now or hereafter imposed by statute rule of law or otherwise (all of which are hereby expressly waived). Promptly following each setoff, appropriation or application, the Bank shall notify the Customer of such setoff, appropriation or application (which notification shall contain a description of the applicable account and applicable amount). Notwithstanding anything to the contrary contained herein, the Bank's set-off rights provided herein shall be fully subordinate in right of payment and priority to the set-off rights granted to the holders of the Senior Indebtedness.

9. OBLIGATIONS SUBORDINATE TO SENIOR INDEBTEDNESS.

9.1. The Customer covenants and agrees, and the Bank as evidenced by its acceptance and execution of this Agreement likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in THIS Agreement, the Obligations and the payment and performance of the obligations of the Customer to the Bank hereunder is hereby expressly made subordinate and subject in right of payment, as provided in this Agreement, to the prior payment in full of all Senior Indebtedness in cash or, as acceptable to the holders of Senior Indebtedness, in any other manner; PROVIDED, HOWEVER, that the obligations of the Customer and the payment of the Obligations hereunder in all respects shall rank PARI PASSU with the Securities and all other existing and future senior subordinated indebtedness of the Customer. The provisions of this Agreement are for the express benefit of the holders from time to time of Senior Indebtedness, each of which is entitled to enforce such holder's rights hereunder, without any act or notice of acceptance hereof or reliance hereon. No amendment, modification or discharge of any provision of this Agreement (or, to the extent that any such amendment, modification or discharge thereof would change the effect of this Agreement, or any of the definitions set forth herein) shall be effective against any holder of Designated Senior Indebtedness who would be materially adversely affected thereby unless expressly consented to in writing by such holder.

9.2. Payment Over Of Proceeds Upon Dissolutions, Etc.

In the event of (a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or there similar case or

proceeding in connection therewith, relative to the Customer or to its assets, or (b) any liquidation, dissolution or other winding up of the Customer, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any other marshaling of assets or liabilities of the Customer, then and in any such event:

(1) the holders of the Senior Indebtedness shall be entitled to receive payment in full in cash or cash equivalents, or provision shall be made for such payments, of all amounts due on or in respect of all Senior Indebtedness before the Bank is entitled to receive any payment or distribution of any assets of the Customer of any kind or character (excluding securities of the Customer or any other corporation that are equity securities or are subordinated in right of payment to all Senior Indebtedness, that may at the time be outstanding, to substantially the same extent as, or to a greater extent that, the Obligations are so subordinated as provided in this Agreement (such securities being hereinafter collectively referred to as "Permitted Junior Securities") on account of any amounts payable with respect to the obligations of the Customer hereunder;

(2) any payment or distribution of assets of the Customer of any kind or character, whether in cash, property or securities (excluding Permitted Junior Securities) by set-off or otherwise, to which the Bank, in its capacity hereunder, would be entitled but for the provisions of this Section 9 (including any such payment or other distribution which may be received by the holders of Subordinated Indebtedness as a result of any payment on such Subordinated Indebtedness) shall be paid by the liquidating trustee or agent or other person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, directly to the holders of Senior Indebtedness or their representatives or to the trustee or trustees under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, ratably according to the aggregate amounts remaining unpaid on account of the Senior Indebtedness held by each such holder or representative, to the extent necessary to make payment in full of all Senior Indebtedness remaining unpaid, after giving effect to any concurrent

payment or distribution to the holders of such Senior Indebtedness; and

(3) in the event that, notwithstanding the foregoing provisions of this Section 9, the Bank, in its capacity hereunder, shall have received any payment or distribution of assets of the Customer of any kind or character, whether in cash, property or securities, under this Agreement in respect of the obligations arising hereunder before all Senior Indebtedness is paid in full, then and in such event such payment or distribution (excluding Permitted Junior Securities, but including any payment or distribution which may be received by the holders of the Securities or Subordinated Indebtedness as a result of any payment on such Subordinated Indebtedness), shall be paid over or delivered forthwith to the trustee in bankruptcy, receiver, liquidation trustee, custodian, assignee, agent or other person making payment or distribution of assets of the Customer for application to the payment of all senior Indebtedness in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

The consolidation of the Customer with, or the merger of the Customer into, another person or entity or the liquidation or dissolution of the Customer following the conveyance, transfer or lease of its properties and assets substantially as an entirety to another person or entity upon the terms and conditions set forth in Article Six of the Indenture shall not be deemed a dissolution, winding up, liquidation, reorganization, assignment for the benefit of creditors or marshalling of assets and liabilities of the Customer of the purposes of this Section if the person or entity formed by such consolidation into which the Customer is merged or the person or entity which acquired by conveyance, transfer or lease such properties and assets substantially as an entirety, as the case may be, shall, as a part of such consolidation, merger, conveyance, transfer or lease, comply with the conditions set forth in Article Six of the Indenture.

9.3 Suspension Of Payment When Senior Indebtedness In Default.

(a) Unless clause 9.2 shall be applicable, upon (1) the occurrence of a Payment Default and (2) the giving of a written notice by the representative or holder of Designated Senior Indebtedness of such occurrence under the Indenture, then no payment or distribution of any assets of the Customer of any kind or character (excluding payments in Permitted Junior Securities) shall be made by the Customer hereunder on account of the obligations hereunder unless and until such Payment Default shall have been cured, waived in writing or shall have ceased to exist or such Designated Senior Indebtedness shall have been discharged or paid in full in cash, or in any other manner as acceptable to the holders of such Designated Senior Indebtedness, after which the Customer shall resume making any and all required payments hereunder in respect of the obligations arising hereunder.

(b) Unless clause 9.2 shall be applicable, upon (1) the occurrence of a Non-payment Default and (2) and the giving of a written notice by the representative or holder of Designated Senior Indebtedness of such occurrence under the Indenture, then no payment or distribution of any assets of the Customer of any kind or character (excluding payments in Permitted Junior Securities) shall be made by the Customer hereunder for the period specified below ("Payment Blockage Period").

The Payment Blockage Period shall commence upon the receipt by the Customer or the Trustee under the Indenture from a representative or the holder of any Designated Senior Indebtedness of notice of the Non-payment Default by the Customer and shall end on the earliest of (x) 179 days after receipt of such notice by the Trustee under the Indenture (provided any Designated Senior Indebtedness as to which notice was given shall not theretofore have been accelerated), (y) the date on which the Non-payment Default shall have been cured or waived in writing or shall have ceased to exist or the Designated Senior Indebtedness related hereto shall have been discharged or paid in full or

(z) the date such Payment Blockage Period shall have been terminated by written notice to the Customer at or after the initiation of such Payment.

Blockage Period, from the representative or the holder of Designated Senior Indebtedness that gave notice of a Non-payment Default, after which, in the case of any of clauses (x), (y), or (z), the Customer shall resume making any and all required payments hereunder in respect of the obligations arising hereunder. Notwithstanding any other provision of this Agreement, in no event

shall a Payment Blockage Period extend beyond 179 days from the date of notice by or to the Bank of the Non-payment Default initiating such Payment Blockage Period (such 179-day period referred to as the "Initial Blockage Period"). Any number of notices of Non-payment Defaults may be given during the Initial Blockage Period; provided that during any 365-day consecutive period, only one such period during which payment on the obligations arising hereunder may not be made, may commence and the duration of such period may not exceed 179 days. No Non-payment Default with respect to Designated Senior Indebtedness which existed or was continuing on the date of the commencement of any Payment Blockage Period will be, or can be, made the basis for the commencement of a second Payment Blockage Period (whether or not within a period of 365 consecutive days) unless such default has been cured or waived for a period of not less than 90 consecutive days.

(c) In the event that, notwithstanding the foregoing, the Customer shall make any payment or distribution to the Bank, it its capacity hereunder, prohibited by the foregoing provision of this Agreement, then and in such event such payment shall be received and held in trust for the holders of the Senior Indebtedness and shall be paid over and delivered forthwith by the Bank, it its capacity hereunder, to the holders of the Senior Indebtedness.

9.4 Payment Permitted If No Default.

Nothing contained in this Agreement shall prevent the Customer, at any time except as and to the extent during the pendency of any case, proceeding, dissolution, liquidation or other winding up, assignment for the benefit of creditors or other marshalling of assets and liabilities of the Customer referred to in clauses 9.2 or under conditions described in clause 9.3, from making payments hereunder at any time with respect to the obligations arising hereunder.

9.5 Subrogation To Rights Of Holders Of Senior Indebtedness.

Subject to the payment in full in cash or cash equivalent of all Senior Indebtedness, the Bank, in its capacity hereunder, and not as a holder of Senior Indebtedness, shall be subrogated (I) to the rights of the holders of such Senior Indebtedness to receive payments and distributions of cash, property and securities applicable to the Senior Indebtedness and (ii) to the security interests which have been or may hereafter be granted by the Customer to the holders of Senior Indebtedness. until the obligations arising hereunder shall be paid in full. For purposes of such subrogation, no payment or distributions to the holders of Senior Indebtedness of any cash, property or securities to which Bank, it its capacity hereunder, would be entitled except for the provisions of this Agreement and no payments over pursuant to the provision of this Agreement to the holders of Senior Indebtedness, and the Bank, in its capacity hereunder, be deemed to be a payment or distribution by the Customer to or on account of the Senior Indebtedness, thereto.

9.6 Provisions Solely To Define Relative Rights.

The provisions of this Agreement are intended solely for the purpose of defining the relative rights of the bank, in its capacity hereunder, on the one hand and the holders of Senior Indebtedness on the other hand. Nothing contained in this Agreement is intended to or shall (a) impair, as among the Customer, its creditors other than holders of Senior Indebtedness and the

Bank, in its capacity hereunder, the obligation of the Customer, which is absolute and unconditional, to pay the obligations arising hereunder as and when the same shall become due and payable in accordance with the terms of this Agreement; or (b) affect the relative rights against the Customer of the Bank, it its capacity hereunder, and creditors of the Customer other than the holders of Senior Indebtedness; or (c) prevent the Bank, in its capacity hereunder, from exercising all remedies otherwise permitted by applicable law upon an Event of Default under this Agreement, subject to the rights under this Agreement of the holders of Senior Indebtedness in the circumstances specified in this Agreement,

9.7 No waiver Of Subordination Provisions.

(a) No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Customer or by any act or failure to act, in good faith, by any such holder, or by any non-compliance by the Customer with the terms, provisions and covenants of this Agreement, regardless of any knowledge thereof any such holder hay have or be otherwise charged with.

(b) Without in any way limiting the generality of subclause (a) of this clause 9.7, the holders of senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Bank, in its capacity hereunder, without incurring responsibility to the Bank, in its capacity hereunder, and without impairing or releasing the subordination provided in this Agreement or the obligations hereunder of the Bank, in its capacity hereunder, to the holders of senior Indebtedness, do any one or more of the following;

(1) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Indebtedness or any instrument evidencing the same or any agreement under which Senior Indebtedness is outstanding;

(2) sell, exchange, release or otherwise deal with in any lawful manner and in any order any property pledged, mortgaged or otherwise securing any Senior Indebtedness;

(3) settle or compromise any Senior Indebtedness or any security therefor or any guaranty thereof and apply any sums by whomever paid and however lawfully realized to any Senior Indebtedness in any manner or order; and

(4) fail to take or to record or otherwise perfect, for any reason or for no reason, any lien or security interest securing Senior Indebtedness by whomever granted, exercise or delay in or refrain from exercising any right or remedy against the Customer or any security or any guarantor of any other person, elect any remedy and otherwise deal lawfully with the Customer and any security for an any guarantor of Senior Indebtedness;

provided, however, that in no event shall any such actions limit the right of the Bank, in its capacity hereunder, to pursue any rights or remedies hereunder or under applicable laws if the taking of such action does not

otherwise violate the terms of this Agreement of the holders, from time to time, or Senior Indebtedness to receive the cash, property of securities receivable upon the exercise of such rights and remedies.

9.8 Notice to the Bank.

The Customer shall give prompt written notice to the Bank of any fact known to the Customer that would prohibit the making of any payment to the Bank in respect of the obligations arising hereunder pursuant to the provisions hereof.

10. Events of Default. The following shall be "Events of Default" hereunder: (1) failure by the Customer to make payment as provided in paragraph 1 hereof, or (2) failure by the Customer to pay at maturity and after any applicable period of grace, any obligations in excess of $500,000 in the aggregate for borrowed monies or advances, or failure to observe or perform any term, covenant or agreement evidencing or securing such obligations for borrowed monies or advances, the result of which failure is that the holder or holders of such obligations have the right to cause such obligations to become due prior to their stated maturity upon delivery of required notice, if any, or (3) the Customer's (I) application for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar official of itself or of all or a substantial part of the Customer's property, (ii) generally not paying its debts as such debts become due, (iii) making a general assignment for the benefit of its creditors, (iv) commencing a voluntary case under the Bankruptcy Code or equivalent statute (as now or hereafter in effect), (v) commencing any case or proceeding under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, or any other law providing for the relief of debtors, (vi) acquiescing in writing to any petition filed against it in an involuntary case under the Bankruptcy Code or other law, or (vii) taking any action under the laws of its jurisdiction of incorporation or organization similar to any of the foregoing, or (4) commencement of a proceeding or case, without the application or consent of the Customer in any court of competent jurisdiction, seeking (I) the liquidation, reorganization, dissolution, winding up, or composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets, or (iii) similar relief in respect of it, under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts or any other law providing for the relief of debtors, and such proceeding or case shall continue undismissed, or unstayed and in effect, for a period of 60 days; or the entry of an order for relief or equivalent order in an involuntary case under the Bankruptcy Code or equivalent act against the Customer; or action under the laws of the jurisdiction of incorporation or organization of the Customer similar to any of the foregoing shall be taken with respect to the Customer and shall continue undismissed or unstayed and in effect for any period of 60 days, or (5) entry against Customer of a judgement or order for the payment of money by any court, or issuance or levy against the property of the Customer of a warrant of attachment or execution or similar process, that in the aggregate exceeds $500,000 in value and such judgement or order shall continue undischarged, unstayed, unsatisfied, undismissed or unbonded for 30 days of the issuance of or application for a writ or order of attachment or garnishment against any document of title or other similar document relating to Credit's issued pursuant hereto or a substantial part of the property or

assets of the Customer, or (6) any governmental authority, or any court of at the request of any governmental authority, taking possession of all or substantially all of the property of the Customer or assuming control over all of the material affairs or operations of the Customer, thereupon, the Bank may, without notice or demand, declare any and all of the obligations and liabilities, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of the Customer to the Bank under this Agreement, to be immediately due and payable, and the Bank shall have all of the rights and remedies provided hereunder and by law subject, however, to the provisions of Section 9 hereof.

11. Documents, etc. The Customer will, at its expense, promptly execute and deliver to the Bank such trust receipts, documents of title and other documents as the Bank may at any time reasonably request in order to carry out the intent

and purpose hereof and will promptly reimburse the Bank for the amount of any filing or recording fees with respect thereto.

12. Power of Attorney. After the occurrence and during the continuance of an Event of Default or unless otherwise consented to by the Customer, the Bank may, with power of substitution and revocation, sign in the Customer's name as agent on any document called for from the Customer and/or endorse in the Customer's name any and all notes checks, drafts, documents of title or other instruments documents in which the Bank may at any time have any interest; and may perform any obligation or agreement in connection with the Credit or this Agreement which the Customer has failed to perform and take any other action with the Bank deems necessary or desirable to protect its rights, powers and remedies under this Agreement.

13. Performance by Beneficiary. Neither the Bank nor its correspondents shall be in any way responsible for performance by any beneficiary of its obligations to the Customer, nor for the form, sufficiency, correctness, genuineness, authority of persons, signing, falsification or legal effect of any documents called for under the Credit if such documents on their face appear to be in order.

14. Shipments in Excess of Quantity. Notwithstanding anything to the contrary contained herein or in any Credit, although shipment(s) in excess of the quantity called for under the Credit are made, the Bank may make payment under the Credit in an amount or amounts not exceeding the amount of the Credit (provided that such excess does not exceed by five percent (5%) the quantity called for under the documents to be presented under the credit unless other provided in the Application); and the Bank may honor, as complying with the terms of the Credit and of the Application therefore, any drafts or other documents otherwise in order signed or issued by an administrator, executor, conservator, trustee in bankruptcy, debtor in possession, assignee for benefit of creditors, liquidator, receiver or other legal representative of the party authorized under the Credit to draw or issue such drafts or other documents.

15. While the Bank shall use best effort to comply with the request of the Customer as to each of the following, the Customer authorizes the Bank to use its reasonable discretion to (a) select, after due consultation with the Customer, an advising bank if any, (b) select a paying bank, if any, (c) authorize or restrict negotiation under the Credit, and (d) waive any such restriction on negotiation.

16. Amendment. This Amendment and a request or consent to any modification, change, amendment, waiver or any other action pursuant to this Agreement, shall be binding upon the Customer and its respective heirs, executors, administrators, successors and assigns and shall insure the benefit of and be enforceable by the Bank, its successors and assigns. All modifications or amendments of or to this Agreement must be in writing and signed by each of the parties hereto. In the event that any position hereof is determined by a court of competent jurisdiction to be invalid, such invalidity shall not affect any other provision of this Agreement. The Customer represents and warrants that the execution, deliver and performance by the Customer hereof has been duly authorized by all necessary corporate and/or other action and that the making and performance hereof by the Customer does not and will not contravene the terms of any existing law, agreement or instrument by which the Customer is bound or to which the Customer is subject.

17. Miscellaneous.

a. The failure of the Bank to enforce at any time any of the provisions hereof shall not be construed to be a waiver of such provisions or of the right of the Bank thereafter to enforce any such provisions.

b. Each Credit shall be subject to, and performance by the Bank, its correspondent and the beneficiary thereunder shall be governed by, the Uniform

Customs and Practice, except to the extent it is otherwise expressly agreed.

c. It is agreed that all directions and correspondence relating to the Credit are to be sent at the Customer's risk and that the Bank does not assume any responsibility for any inaccuracy, interruption, error or delay in transmission or delivery by post, telegraph or cable, or for any inaccuracy of translation.

d. This Agreement is made in the Commonwealth of Massachusetts and shall be deemed to be a contract under seal to be governed by and construed in accordance with the laws of said Commonwealth. The Bank's rights, powers, and remedies specified herein are cumulative and are in addition to those otherwise created or existing by law or agreement.

e. The Customer hereby certifies, to the best of the customer's knowledge, that transactions in the goods or services covered by any application for a Credit are not prohibited under the Foreign Assets Control Regulations of the United States Treasury Department or the Anti-Boycott Regulations of the United States Department of Commerce, and that any United States inportation or exportation of such goods and services conforms in every respect with all existing United States Government regulations.

Executed under seal as of the date first written.

GUESS ?, INC.	THE FIRST NATIONAL BANK OF BOSTON
By:/s/ ROGER WILLIAMS - ------------------------	By: /s/ DEBRA ZURKA ----------
Roger Williams Executive Vice President and Chief Financial Officer	Debra Zurka Vice President

EXHIBIT J

LENDER'S PERCENTAGES

Lender	Maximum Total Commitment	Lender's Percentages
The First National Bank of Boston 100 Federal Street Mail Stop 01-22-05 Boston, Massachusetts 02110 Attention: David T. Clark, Assistant Vice President Telecopier: (617)434-8964		
Sanwa Bank California Sanwa Bank Plaza 601 South Figueroa Street 10th Floor Los Angeles, California 90017 Attention: Mary King, Vice President Telecopier: (213)896-7090		
The Industrial Bank of Japan, Limited Los Angeles Agency 350 South Grand Avenue Suite 1500 Los Angeles, California 90071 Attention: Mark Moss, Vice President Telecopier: (213)488-9840		
Credit Lyonnais Los Angeles Branch 515 South Flower Street		

Suite 2200
Los Angeles, CA 90071
Attention: Steven Yoon, Vice President
Telecopier: (213) 623-3437

Sumitomo Bank of California
611 West 6th Street
Suite 3900
Los Angeles, California 90017
Attention: Matthew R. Van Steenhuyse
Telecopier: (213) 622-1385

EXHIBIT K

TRANSACTIONS WITH AFFILIATES

TRANSACTIONS WITH AFFILIATES

The Company is engaged in various transactions with entities affiliated with trusts for the respective benefit of Maurice, Paul and Armand Marciano (the "Marciano Trusts"). The Company believes that each of the companies, in which the Marciano Trusts have an investment, and related party transactions discussed below were entered into on terms no less favorable to the Company than could have been obtained from an unaffiliated third party.

Mergers

On August 13, 1996, Marciano International, which was wholly owned by the Marciano Trusts, was merged with and into the Company in connection with the initial public offering. Consideration paid to the Marciano Trusts was $300,000.

License Arrangements and Licensee Transactions

The Company has a licensing agreement with Charles David of California ("Charles David"). Charles David is controlled by the father-in-law of Maurice Marciano. The Marciano Trusts and Nathalie Marciano (the spouse of Maurice Marciano) together own 50% of Charles David, and the remaining 50% is owned by the father-in-law of Maurice Marciano. The license agreement grants Charles David the rights to manufacture worldwide and distribute worldwide (except Japan) men's, women's and some children's leather and rubber footwear, excluding athletic footwear, which bear the Guess'r' logo and trademark. The license also includes related shoe care products and accessories. Gross royalties earned by the Company under such license agreement for the fiscal year ended December 31, 1996 was $1.5 million. Additionally, the Company purchased $6.0 million of product from Charles David for resale in the Company's retail stores during the same period.

On September 1, 1994, the Company entered into a licensing agreement with California Sunshine Active Wear, Inc. ("California Sunshine"), granting it the rights to manufacture and distribute men's and women's activewear, which bear the Guess'r' logo and trademark, in the United States. The Marciano Trusts together own 51% of California Sunshine. Gross royalties earned by the Company under such license agreement for the fiscal year ended December 31, 1996 was $742,000. Additionally, the Company purchased $1.4 million of product from California Sunshine for resale in the Company's retail stores during the same period.

Effective January 1, 1995, the Company entered into a licensing agreement with Guess? Italia, S.r.l. ("Guess Italia"), granting it the exclusive right in Italy and non-exclusive rights in other parts of Europe to manufacture and distribute men's and women's apparel and accessories, which bear the Guess'r' logo and trademark. Prior to the IPO, Guess Italia was owned 79% by the Company and 21% by Marciano International, a company wholly owned by the Marciano Trusts. As part of the reorganization, in connection with the IPO,

Guess Italia became a wholly-owned subsidiary of the Company when Marciano International was merged with and into the Company. Gross royalties earned by the Company under such license agreement for the fiscal year ended December 31, 1996 was $766,000. Additionally, the Company purchased $327,000, of product from Guess? Italia and sold $89,000, of product for resale in Guess? Italia's retail store and to other wholesale customers during the fiscal year ended December 31, 1996. All inter company transactions were eliminated during consolidation.

Effective December 9, 1992, the Company entered into a licensing agreement with Nantucket Industries ("Nantucket"), granting it the rights to manufacture and distribute women's intimate apparel within the United States, which bear the Guess'r' logo and trademark. Nantucket is owned 13.0% by the Company and 7.6% by the Marciano Trusts. During the fiscal year ended December 31, 1996, the Company recorded gross royalty income of $327,000, purchased $416,000 of product for resale in its retail stores, and recorded an equity loss of $349,000.

Effective December 1, 1989, the Company entered into a licensing agreement with Strandel, Inc. ("Strandel"), granting it the rights to manufacture and distribute Men's, Women's and Children's Knits and woven sportswear in Canada, which bear the Guess'r' logo and trademark. Strandel is owned 20% by the Company. During the fiscal year ended December 31, 1996, the Company recorded gross royalty income of $1.8 million and recorded an equity loss of $127,000.

On January 1, 1997, the Company acquired a Limited Partnership interest of 24.75% in S.W.P.I., Ltd., a California Limited Partnership in which the Marciano Trusts have a 76.25% interest, from Pour Le Bebe, Inc., a California Corporation, as payment in lieu of unpaid license fees due November 1, 1996. The Limited Partnership interest of 24.75% in S.W.P.I., Ltd. was valued at $1.4 million by the Company.

Purchasing Agency Agreement

On May 3, 1994, the Company entered into an agreement with Ranche, Ltd. ("Ranche"), a wholly owned subsidiary of Guess Europe, BV ("GEBV") to serve as a non-exclusive buying agent for the Company in Hong Kong, which agreement was terminated in the first quarter of 1996 when certain of Ranche's assets were transferred to Newtimes Guess, Ltd, a Hong Kong corporation ("Newtimes") in which the Company and the Marciano Trusts then held indirect ownership interests of 25% and 25%, respectively. In connection with the IPO, the Marciano Trusts' indirect interest in Newtimes was transferred to the Company. Ranche earned commissions of $192,000 during the period in 1996 in which the agreement was still active. In addition, Ranche operates under a licensing arrangement to distribute product to authorized distributors. Gross royalties earned by the Company under such license for the fiscal year ended December 31, 1996 was $383,000.

In February 1996, the Company entered into a buying agency agreement with Newtimes. Pursuant to such agreement, the Company pays Newtimes a commission based upon the cost of finished garments purchased for the Company by Newtimes. Commissions earned by Newtimes during the fiscal year ended December 31, 1996 was $624,000. Additionally, the Company recorded $190,000 in equity losses during 1996.

Leases

The Company leases manufacturing, warehouse and administrative facilities and one retail administrative facility from partnerships affiliated with the Principal Stockholders. The leases in effect at December 31, 1996 will expire through July 2008. Aggregate lease payments under leases in effect for the fiscal year ended December 31, 1996 were $2.9 million.

The Company currently rents, on a month-to-month basis, a portion of a remote

Guess facility to Southwest Pacific Investment Company ("SWPI"), an entity owned by the Marciano Trusts. Monthly rental charges are $11,000, effective August 1, 1996. An aggregate of $57,000 was paid by SWPI to the Company during 1996.

THE FIRST NATIONAL BANK OF BOSTON

AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT (the "Agreement") made this 28th day of March, 1997 by GUESS ?, INC., a Delaware corporation with its chief executive offices at 1444 South Alameda St., Los Angeles CA 90021 (the "DEBTOR") in favor of THE FIRST NATIONAL BANK OF BOSTON, a national banking association with its head office at 100 Federal Street, Boston, Massachusetts 02110 (sometimes referred to as the "AGENT") as agent for itself and for the lenders parties to the Loan Agreement referred to below (the "LENDERS") (the "SECURED PARTY").

WHEREAS, the Company, the Agent, and the Lenders are parties to a Revolving Credit Agreement dated as of December 20, 1993 as amended by a First Amendment to Revolving Credit Agreement dated as of January 20, 1994, by a Second Amendment and Waiver to Revolving Credit Agreement dated as of April 1, 1994, by a Third Amendment and Waiver to Revolving Credit Agreement dated as of July 18, 1994, by a Fourth Amendment and Waiver to Revolving Credit Agreement dated as of October 24, 1994, by a Fifth Amendment to Revolving Credit Agreement dated as of February 13, 1995, by a Sixth Amendment to Revolving Credit Agreement dated as of September 14, 1995, by a Seventh Amendment to Revolving Credit Agreement dated as of December 22, 1995 and by an Eight Amendment to Revolving Credit Agreement dated as of February 13, 1996. (collectively, the "EXISTING LOAN AGREEMENT"); and

WHEREAS, as a condition to the Existing Loan Agreement, the Company, the Agent, and the Lenders entered into a Security Agreement, dated as of December 20, 1993, as amended (the "EXISTING SECURITY AGREEMENT"), pursuant to which the Company granted to the Agent a continuing security interest in all of its right, title and interest in all Inventory and Accounts (as defined herein) and all proceeds and products thereof; and

WHEREAS, In connection with the execution of the Existing Security Agreement, the Company caused Uniform Commercial Code Financing Statements to be filed in all locations required to perfect the security agreements granted under the Existing Security Agreement; and

WHEREAS, on the date hereof the parties are entering into an Amended and Restated Revolving Credit Agreement (the "LOAN AGREEMENT") and, in connection therewith are required to enter into this Agreement;

NOW THEREFORE, for value received, the receipt and legal sufficiency of which is hereby acknowledged, including, without limitation, enabling the Debtor to obtain credit or other financial accommodations from the Lenders under the Loan Agreement and those certain Notes executed and delivered by the Debtor to the Lenders (the "NOTES"), the Debtor hereby agrees as follows:

10 DEFINITIONS. All capitalized terms used herein or in any certificate, report or other document delivered pursuant to this Agreement shall have the meanings assigned to them below or in the Loan Agreement (unless otherwise defined). Except as otherwise defined, terms defined in the Uniform Commercial Code shall have the meanings set forth therein.

ACCOUNTS. All rights of the Debtor to payment for goods sold or leased or for services rendered, all sums of money or other proceeds due or becoming due

thereon, all instruments evidencing any such right, all guarantees of and security for any such right, and the Debtor's rights pertaining to and interest in such goods, including the right of stoppage in transit, replevin or reclamation, all chattel paper evidencing any such right and all other property constituting "accounts" as such term is defined in the Uniform Commercial Code.

COLLATERAL. See Section 2.

GENERAL INTANGIBLES. All "general intangibles" as such term is defined in the Uniform Commercial Code, but specifically excluding any trademarks, trade names, patents, copyrights and any other intellectual property, other than an Account arising from the licensing of any of the foregoing.

INVENTORY. All goods, merchandise and other personal property of the Debtor that are held for sale, lease or other disposition, or for display or demonstration, or leased or consigned, or that are raw materials, piece goods, work-in-process or materials used or consumed or to be used or consumed in the Debtor's business, whether in transit or in the possession of the Debtor or another, including without limitation all goods covered by purchase orders and contracts with suppliers and all goods billed and held by suppliers and goods located on the premises of any carriers, forwarding agents, truckers, warehousemen, vendors, selling agents or other third parties; all display materials relating to any of the foregoing; all warehouse receipts and other negotiable and non-negotiable documents of title covering any of the foregoing; and all other property constituting "inventory" as such term is defined in the Uniform Commercial Code.

OFFICER'S CERTIFICATE. A certificate signed by an officer of the Debtor authorized in the resolution delivered herewith in the form attached hereto and delivered concurrently herewith.

UNIFORM COMMERCIAL CODE. The Uniform Commercial Code as in effect in the Commonwealth of Massachusetts.

11 GRANT. To secure the payment and performance of the Obligations, the Debtor hereby assigns and pledges to the Secured Party and grants to the Secured Party a continuing security interest in all of its rights, title and interest in, whether now owned or existing or hereafter arising or acquired, all Inventory and Accounts, and any and all additions, substitutions, replacements and accessions to any of the foregoing; and all proceeds and products of any of the foregoing (including, without limitation, proceeds which constitute Accounts, Inventory or General Intangibles) (collectively, the "COLLATERAL").

12 REPRESENTATIONS, WARRANTIES AND COVENANTS. The Debtor makes the following representations and warranties, and agrees to the following covenants, each of which representations, warranties and covenants shall be continuing and in force so long as this Agreement is in effect:

.1. NAME; DEBTOR/COLLATERAL LOCATION; CHANGES.

(a) The name of the Debtor set forth on the first page hereof is the true and correct legal name of the Debtor, and except as otherwise disclosed to the

Secured Party in the Officer's Certificate, the Debtor has not done business as or used any other name.

(b) The address of the Debtor set forth on the first page hereof is the Debtor's chief executive office (the "CHIEF EXECUTIVE OFFICE") and the place where its business records are kept. Except (i) as disclosed on the Officer's Certificate, (ii) Collateral in transit between locations disclosed on the Officers Certificate and the Chief Executive Office, (iii) Inventory in the temporary possession of independent sewing, laundering and finishing contractors (provided that the total amount due to such contractors for work on such Inventory shall not exceed $8,000,000 in the aggregate outstanding at any one

time), and (iv) Collateral in transit between any foreign manufacturer and the Debtor, all tangible Collateral is located at the Chief Executive Office.

(c) The Debtor will not change its name, identity or organizational structure or the Chief Executive Office or place where its business records are kept, or move any tangible Collateral to a location other than (i) those set forth in the Officer's Certificate, (ii) Collateral in transit between locations disclosed on the Officers Certificate and the Chief Executive Office, (iii) Inventory in the temporary possession of independent sewing, laundering and finishing contractors (provided that the total amount due to such contractors for work on such Inventory shall not exceed $8,000,000 in the aggregate outstanding at any one time) and (iv) Collateral in transit between any foreign manufacturer and the Debtor, unless the Debtor shall have given the Secured Party at least 30 days' prior written notice thereof and shall have delivered to the Secured Party such new Uniform Commercial Code financing statements or other documentation as may be necessary or required by the Secured Party to ensure the continued perfection and priority of the security interests granted by this Agreement.

.2. OWNERSHIP OF COLLATERAL; ABSENCE OF LIENS AND RESTRICTIONS. The Debtor is, and in the case of property acquired after the date hereof, will be, the sole legal and equitable owner of the Collateral, holding good and marketable title to the same free and clear of all Encumbrances except Permitted Encumbrances, and has good right and legal authority to assign, deliver, and create a security interest in the Collateral in the manner herein contemplated. The Collateral is not subject to any restriction that would prohibit or restrict the assignment, delivery or creation of the security interests contemplated hereunder.

.3. FIRST PRIORITY SECURITY INTEREST. This Agreement, together with the filing of Uniform Commercial Code financing statements in the appropriate offices for the locations of Collateral listed in the Officer's Certificate, create a valid and continuing first lien on and perfected security interest in the Collateral (except for property not located in the United States or property in which a security interest may not be perfected by filing of a financing statement under the Uniform Commercial Code), prior to all other Encumbrances other than Permitted Encumbrances, and is enforceable as such against creditors of the Debtor.

.4. SALES AND FURTHER ENCUMBRANCES. The Debtor shall defend its title to, and the Secured Party's interest in, the Collateral against all claims and take any action necessary to remove any Encumbrances other than Permitted Encumbrances and defend the right, title and interest of the Secured Party in and to any of the Secured Party's rights in the Collateral.

.5. ACCOUNTS: COLLECTION AND DELIVERY OF PROCEEDS. The Debtor will collect all of its Accounts constituting Collateral in the ordinary course of its business consistent with past practices unless and until the Secured Party exercises its rights to collect the Accounts pursuant to this Agreement. After the occurrence and during the continuation of an Event of Default, the Debtor shall, at the request of the Secured Party, notify account debtors of the security interest of the Secured Party in any Account and that payment thereof is to be made directly to the Secured Party. After the occurrence and during the continuance of an Event of Default and upon request of the Secured Party, any proceeds of Accounts or Inventory constituting Collateral received by the Debtor, whether in the form of cash, checks, notes or other instruments, shall be held in trust for the Secured Party and the Debtor shall deliver said proceeds daily to the Secured Party, without commingling, in the identical form received (properly endorsed or assigned where required to enable the Secured Party to collect same).

.6. RECORDS OF ACCOUNTS. The Debtor will, at the request of the Secured Party, retain off-site current copies of all materials created by or furnished to the Debtor on which is recorded then-current information about any computer

programs or data bases that the Debtor has developed or otherwise has the right to use from time to time as it relates to Accounts and Inventory only. The Debtor will, after the occurrence and during the continuance of an Event of Default, at the request of the Secured Party, deliver a set of such copies to the Secured Party for safekeeping and retention or transfer in the event of foreclosure.

.7. FURTHER ASSURANCES. Upon the written request of the Secured Party, and at the sole expense of the Debtor, the Debtor will promptly execute and deliver such further instruments and documents and take such further actions as the Secured Party may reasonably deem desirable to obtain the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, filing of any financing statement under the Uniform Commercial Code. The Debtor authorizes the Secured Party to file any such financing statement without the signature of the Debtor to the extent permitted by applicable law, and to file a copy of this Agreement in lieu of a financing statement. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be immediately delivered to the Secured Party, duly endorsed in a manner satisfactory to it.

.8. INSURANCE PROCEEDS. Other than after the occurrence and during the continuance of an Event of Default, the Debtor shall retain all proceeds of any insurance on the Collateral.

13 NOTICES AND REPORTS PERTAINING TO COLLATERAL. The Debtor will, with respect to the Collateral:

(a) promptly furnish to the Secured Party, from time to time upon written request, reports in form and detail reasonably satisfactory to the Secured Party setting forth an aging of Accounts and location of all Inventory and after an Default a copy of the names and addresses of all account debtors of the Company with information as to the outstanding balance due from each such account debtor; and

(b) promptly notify the Secured Party of any Encumbrance asserted against the Collateral other than a Permitted Encumbrance, including any attachment, levy, execution or other legal process levied against any of the Collateral;

The Debtor authorizes the Secured Party to, and the Secured Party agrees to, destroy all invoices, delivery receipts, reports and other types of documents and records submitted to the Secured Party in connection with the transactions contemplated herein at any time subsequent to 12 months from the time such items are delivered to the Secured Party.

14 SECURED PARTY'S RIGHTS WITH RESPECT TO COLLATERAL. The Secured Party may, at its option and at any time, after the occurrence and during the continuance of an Event of Default and after the Obligations have been accelerated in accordance with the terms of the Loan Agreement, without notice or demand on the Debtor, take the following actions with respect to the Collateral:

(a) with respect to any Accounts (i) notify account debtors of the security interest of the Secured Party in such Accounts and that payment thereof is to be made directly to the Secured Party; (ii) demand, collect, and receipt for any amounts relating thereto, as the Secured Party may determine; (iii) commence and prosecute any actions in any court for the purposes of collecting any such Accounts and enforcing any other rights in respect thereof; (iv) defend, settle or compromise any action brought and, in connection therewith, give such discharges or releases as the Secured Party may deem appropriate; (v) endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or

documents evidencing payment, shipment or storage of the goods giving rise to such Accounts or securing or relating to such Accounts, on behalf of and in the name of the Debtor; and (vi) sell, assign, transfer, make any agreement in respect of, or otherwise deal with or exercise rights in respect of, any such Accounts or the goods or services which have given rise thereto, as fully and completely as though the Secured Party were the absolute owner thereof for all purposes; and

(b) with respect to any Inventory make, adjust and settle claims under any insurance policy related thereto.

Except as otherwise provided herein or by law and except for accounting for moneys actually received by it in good funds hereunder, the Secured Party shall have no duty as to the collection or protection of the Collateral nor as to the preservation of any rights pertaining thereto, beyond the safe custody and reasonable care of any Collateral in its possession.

15 SET-OFF RIGHTS. Regardless of the adequacy of any Collateral or any other means of obtaining repayment for any Obligations, the Lenders shall have the right to set off under Section 9.3 of the Loan Agreement.

16 DEFAULTS. An event of default ("Event of Default") shall exist as provided in Section 7.1 of the Loan Agreement.

17 SECURED PARTY'S RIGHTS AND REMEDIES.

(a) So long as any Event of Default shall have occurred and is continuing:

(i) the Secured Party may take immediate possession of the Collateral, and for that purpose the Secured Party may, so far as the Debtor can give authority therefor, enter upon any premises on which any of the Collateral is situated and remove the same therefrom or remain on such premises and in possession of such Collateral for a reasonable period for purposes of conducting a sale or enforcing the rights of the Secured Party;

(ii) the Debtor will, upon demand, assemble the Collateral and make it available to the Secured Party at a place and time designated by the Secured Party that is reasonably convenient to both parties;

(iii) the Secured Party may sell or otherwise dispose of the Collateral at a public or private sale, with or without having the Collateral at the place of sale, and upon such terms and in such manner as the Secured Party may reasonably determine, and the Secured Party may purchase any Collateral at any such sale. Unless the Collateral threatens to decline rapidly in value or is of the type customarily sold on a recognized market, the Secured Party shall send to the Debtor prior written notice (which, if given within ten days of any sale, shall be deemed to be reasonable) of the time and place of any public sale of the Collateral or of the time after which any private sale or other disposition thereof is to be made. The Debtor agrees that upon any such sale the Collateral shall be held by the purchaser free from all claims or rights of every kind and nature, including any equity of redemption or similar rights, and all such equity of redemption and similar rights are hereby expressly waived and released by the Debtor. In the event any consent, approval or authorization of any governmental agency is necessary to effectuate any such sale, the Debtor shall execute all applications or other instruments as may be reasonably required; and

(iv) in any jurisdiction where the enforcement of its rights hereunder is sought, the Secured Party shall have, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code.

(b) Prior to any disposition of Collateral pursuant to this Agreement the Secured Party may, at its option, cause any of the Collateral to be repaired or reconditioned (but not upgraded unless mutually agreed) in such manner and to such extent as to make it saleable.

(c) To the extent necessary in connection with the exercise of remedies hereunder, the Secured Party is hereby granted a license or other right to use, upon the occurrence and during the continuance of an Event of Default, without charge, the Debtor's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any property of a similar nature, relating to the Collateral, in completing production of, advertising for sale and selling any Collateral.

(d) The Secured Party shall be entitled to apply the proceeds of any disposition of the Collateral, first, to its reasonable expenses of retaking,

holding, protecting and maintaining, and preparing for disposition and disposing of, the Collateral, including reasonably attorneys' fees and other reasonable legal expenses incurred by it in connection therewith; and second, to the payment of the Obligations in accordance with the Loan Agreement. Any surplus remaining after such application shall be paid to the Debtor or to whomever may be legally entitled thereto, provided that in no event shall the Debtor be credited with any part of the proceeds of the disposition of the Collateral until such proceeds shall have been received in good funds (or the equivalent value if any Collateral is retained) by the Secured Party. The Debtor shall remain liable for any deficiency.

18 WAIVERS. The Debtor waives presentment, demand, notice, protest, notice of acceptance of this Agreement, notice of any loans made, credit or other extensions granted, Collateral received or delivered or any other action taken in reliance hereon and all other demands and notices of any description, except for such demands and notices as are expressly required to be provided to the Debtor under this Agreement, any other Loan Document or any other document evidencing the Obligations. With respect to both the Obligations and the Collateral, the Debtor assents to any extension or postponement of the time of payment or any other forgiveness or indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromise or adjustment of any thereof, all in such manner and at such time or times as the Secured Party may deem advisable. The Secured Party may exercise its rights with respect to the Collateral without resorting, or regard, to other collateral or sources of reimbursement for Obligations. The Secured Party shall not be deemed to have waived any of its rights with respect to the Obligations or the Collateral unless such waiver is in writing and signed by the Secured Party. No delay or omission on the part of the Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not bar or waive the exercise of any right on any future occasion. All rights and remedies of the Secured Party in the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, are cumulative and not exclusive of any remedies provided by law or any other agreement, and may be exercised separately or concurrently.

19 EXPENSES. The Debtor shall pay all expenses as provided in Section 9.2 of the Loan Agreement.

20 NOTICES. Any demand upon or notice to the Debtor or the Secured Party shall be effective when delivered as provided in Section 9.1 of the Loan Agreement.

21 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Debtor, the Secured Party, the Lenders, their respective successors and assigns, and shall inure to the benefit of and be enforceable by the Debtor, the Secured Party or any of the Lenders and their respective successors and assigns.

Without limiting the generality of the foregoing sentence, the Secured Party and the Lenders may assign or otherwise transfer any agreement or any note held by it evidencing, securing or otherwise executed in connection with the Obligations as provided in the Loan Agreement, or sell participation in any interest therein as provided in the Loan Agreement, to any other person or entity, and such other person or entity shall thereupon become vested, to the extent set forth in the

agreement evidencing such assignment, transfer or participation, with all the rights in respect thereof granted to the Secured Party and the Lenders herein.

22 GENERAL. This Agreement may not be amended or modified except by a writing signed by the Debtor and the Secured Party (subject to the provisions of Section 9.7 of the Loan Agreement), nor may the Debtor assign any of its rights hereunder. This Agreement and the terms, covenants and conditions hereof shall be construed in accordance with, and governed by, the laws of The Commonwealth of Massachusetts (without giving effect to any conflicts of law provisions contained therein).

23 SECTION HEADINGS. Section headings are for convenience of reference only and are not a part of this Agreement.

24 JURY WAIVER. THE SECURED PARTY (BY ITS ACCEPTANCE HEREOF) AND THE DEBTOR AGREE THAT NEITHER OF THEM, NOR ANY ASSIGNEE OR SUCCESSOR SHALL (A) SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM, OR ANY OTHER ACTION BASED UPON, OR ARISING OUT OF, THIS AGREEMENT, ANY RELATED INSTRUMENTS, ANY COLLATERAL OR THE DEALINGS OR THE RELATIONSHIP BETWEEN OR AMONG ANY OF THEM, OR (B) SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THE PROVISIONS OF THIS PARAGRAPH HAVE BEEN FULLY DISCUSSED BY THE SECURED PARTY AND THE DEBTOR, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. NEITHER THE SECURED PARTY NOR THE DEBTOR HAS AGREED WITH OR REPRESENTED TO THE OTHER THAT THE PROVISIONS OF THIS PARAGRAPH WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

IN WITNESS WHEREOF, the Debtor has caused this Agreement to be duly executed as an instrument under seal as of the date first written above.

WITNESS: DEBTOR: GUESS?, INC.

By:

Title:

Accepted and Agreed to:

The First National Bank of Boston, as Agent for the Lenders

By:_____
Title:

OFFICER'S CERTIFICATE

to

AMENDED AND RESTATED SECURITY AGREEMENT

Dated March 28, 1997

GUESS ?, Inc. (the "DEBTOR"), hereby certifies, with reference to a certain Amended and Restated Security Agreement dated March __, 1997 (terms defined in such Security Agreement having the same meanings herein as specified therein), between the Debtor and The First National Bank of Boston (the "Agent"), to the Agent and the Lenders as follows:

1. Names.

(a) The exact corporate name of the Debtor and its taxpayer identification number is as follows:

Guess ?, Inc.; 95-3679695

(b) The following is a list of all other names (including trade names or similar appellations) used by the Debtor, or any other business or organization to which the Debtor became the successor by merger, consolidation, acquisition, change in form, nature or jurisdiction of organization or otherwise, now or at any previous time:

None.

2. Locations.

(a) The chief executive office of the Debtor is located at the following address:

1444 South Alameda Street
Los Angeles, California 90021

(b) The following are is a list of all other locations in the United States of America in which the Debtor maintains any books or records relating to any of the Collateral:

Same as 2(b)

Within the last four months, if different:

(c) Set forth on Schedule 2 (c) hereto are all the other places of business of the Debtor in the United States of America where Collateral is located.

(d) The following are the names and addresses of all persons or entities other than the Debtor (and other than independent sewing, laundering and finishing contractors), such as lessees, consignees or warehousemen that have possession or are intended to have possession of any of the Collateral consisting of Inventory:

Currently:

Street and Number	County	State	Zip Code

None.

Within the last four months, if different:

Street and Number	County	State	Zip Code
None.			

IN WITNESS WHEREOF, this Certificate has been executed on behalf of the Debtor by its duly authorized officer on this __th day March, 1997.

GUESS ?, Inc.

By:

Title:

*10.25. Employment Agreement between the Registrant and Maurice Marciano.

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EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, made as of August 13, 1996, by and between Guess ?, Inc., a Delaware corporation (herein referred to as the "COMPANY"), and Maurice Marciano (herein referred to as the "EXECUTIVE").

W I T N E S S E T H:

WHEREAS, the Company intends to make an underwritten initial public offering of its common stock (the "PUBLIC OFFERING"); and

WHEREAS, in connection with the Public Offering, the Company and Executive deem it to be in their respective best interests to enter into an agreement providing for the Company's employment of Executive pursuant to the terms herein stated;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto hereby agree as follows:

1. EMPLOYMENT; POSITION AND DUTIES; EXCLUSIVE SERVICES.

(a) EMPLOYMENT. The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, for the Term provided in Section 2 below and upon the other terms and conditions hereinafter provided.

(b) POSITION AND DUTIES. During the Term, the Executive (i) agrees to serve as the Chairman of the Board and Chief Executive Officer of the Company and to perform such reasonable duties as may be delineated in the By-Laws of the Company and as may be assigned to him from time to time by the Board of Directors of the Company (the "BOARD"), including, without limitation, primary responsibility for all design and finance functions of the Company, (ii) shall report, as Chief Executive Officer of the Company, only to the Board, (iii) shall be given such authority as is appropriate to carry out the duties described above, it being understood that, in his capacities as Chairman of the Board and Chief Executive Officer of the Company, his duties will be consistent in scope, prestige and authority with the duties of Chairman of the Board and Chief Executive Officer of the Company as demonstrated by the Company's existing practices as of the effective date of this Agreement, and (v) agrees to serve, if elected, at no additional compensation (if the other officers or directors (other than non-employee directors) of the Company also serve at no additional compensation) in the position of officer or director of any subsidiary or affiliate of the Company; PROVIDED, HOWEVER, that such position shall be of no less status relative to such subsidiary or affiliate as the position that the Executive holds pursuant to clause (i) of this Section 1(b) is relative to the Company.

(c) EXCLUSIVE SERVICES. During the Term, the Executive agrees to devote substantially all of his business time, attention, skill and efforts exclusively to the business and affairs of the Company and its subsidiaries and affiliates, and shall perform and discharge the duties which may be assigned to him from time to time by the Board.

(d) RELOCATION. The Company shall not relocate the Executive's principal place of business outside of the Los Angeles metropolitan area without the written consent of the Executive.

2. TERM OF AGREEMENT. The term of employment under this Agreement shall initially be the three-year period commencing on the date of the Public Offering

(the "EFFECTIVE DATE") and ending on the third anniversary of the Effective Date, and shall be automatically extended without further action by either party for a successive or successive one-year period or periods, unless written notice of either party's intention to terminate this Agreement has been given to the other party at least 90 days prior to the expiration of the Term (including any one-year extension thereof). As used in this Agreement, the "TERM" shall mean the initial three-year term plus any extensions thereof as provided in this Section 2.

3. SALARY AND ANNUAL BONUS. The Executive's cash compensation for all services to be rendered by him in any capacity hereunder shall consist of base salary as provided in Section 3(a) and bonus compensation as provided in Section 3(b).

(a) SALARY. The Executive shall be paid a minimum base salary (the "SALARY") at the rate of $900,000 per annum. The Salary shall be payable in accordance with the customary payroll practices for executives of the Company. The amount of Executive's Salary will be reviewed not less often than annually by the Compensation Committee of the Board (the "COMPENSATION COMMITTEE") and may be increased, but not decreased below such amount, on the basis of such review.

(b) ANNUAL BONUS.

(i) GENERAL TERMS. For each calendar year included in whole or in part within the Term, the Executive shall be eligible to earn an annual cash bonus (a "BONUS") based upon the achievement by the Company and its subsidiaries of performance targets established by the Compensation Committee in accordance with the terms of the Company's Annual Incentive Bonus Plan and any successor plan thereto (collectively, the "BONUS PLAN"). The performance goals on the basis of which the Executive's bonus shall be determined shall be no less favorable to the Executive than the goals used to determine the bonus of any other executive of the Company whose annual bonus is based in whole or in part on corporate performance and who participates in the Bonus Plan, and the Compensation Committee shall establish objective criteria to be used to determine the extent to which such performance goals have been met. The Bonus, if any, payable to the Executive in respect of each calendar year will be paid at the same time that bonuses are paid to other participants in the Bonus Plan.

(ii) AMOUNT OF TARGET BONUS. For each calendar year included in whole or in part within the Term, there shall be a target Bonus (a "TARGET BONUS") for the Executive equal to at least 100% of Executive's Salary, at the annual rate in effect at the beginning of such calendar year (pro rated, if less than an entire year).

(iii) Determination of the Bonus Amount. The amount of the actual Bonus for any calendar year to be paid to the Executive will be determined, in the sole discretion of the Compensation Committee, based upon the performance of the Company and its subsidiaries against the goals established by the Compensation Committee pursuant to the Bonus Plan.

4. STOCK OPTIONS. Commencing as of the Effective Date, Executive shall be eligible for option grants under the Company's 1996 Equity Incentive Plan and any successor plan thereto for the Company's executive officers, in accordance with the terms and conditions thereof.

5. PENSION AND WELFARE BENEFITS. During the Term, the Executive will participate in all pension and welfare plans, programs and benefits that are applicable to executives of the Company. The benefits provided to the Executive during the Term, when taken as a whole, shall be no less favorable than the benefits which, when taken as a whole, are provided to any other executive of the Company; PROVIDED that Executive shall continue to receive life insurance coverage in an amount equal to at least one (1) times his then Salary. During the Term, the Executive shall also be entitled to all additional perquisites which the Company provides to its executives. Subject to subsection 7(a)(i)

hereof, from and after the expiration of the Term or, if earlier, the date of termination of Executive's employment hereunder, Executive shall be entitled, during his lifetime, to full Company-paid health and life insurance for himself and his immediate family, at a level no less favorable than that in effect from time to time for the benefit of the Company's senior executive officers.

6. OTHER BENEFITS.

(a) TRAVEL AND BUSINESS-RELATED EXPENSES. During the Term, the Executive shall be reimbursed in accordance with the policies of the Company for traveling and other expenses incurred in the performance of the business of the Company.

(b) AUTOMOBILE. During the Term, the Executive shall be furnished with an automobile either owned or leased by the Company or an automobile allowance, at the discretion of the Company. The Company shall pay or reimburse the Executive for all reasonable expenses associated with the operation of such automobile, including, without limitation, all reasonable maintenance and insurance expenses.

(c) AIRCRAFT. The Executive shall be provided with reasonable access to any aircraft leased or owned by the Company.

(d) COUNTRY CLUB MEMBERSHIP. During the Term, the Company shall pay the Executive's reasonable membership expenses (including fees, dues and related expenses) at such country club or clubs as approved by the Board.

(e) CONSULTING AGREEMENT. Commencing on the expiration of the Term of this Agreement or, if earlier, the date of termination of Executive's employment hereunder for any reason other than death or for Cause (as defined below), and subject to the provisions of Sections 8 and 9 hereof, the Company and Executive shall enter into a two (2) year consulting agreement pursuant to which Executive shall render consulting services to the Company as Executive and the Company shall agree, for which the Company shall pay Executive a

consulting fee at an annual rate equal to 50% of Executive's Salary, at the rate in effect immediately prior to the commencement of the consulting period, payable in accordance with the customary payroll practices for executives of the Company or at such other time or times as Executive and the Company shall agree. It is expressly understood that Executive's reporting obligations pursuant to such consulting agreement shall be limited to the Board, or such other person as Executive and the Company shall agree.

7. TERMINATION OF EMPLOYMENT.

(a) TERMINATION FOR CAUSE, RESIGNATION WITHOUT GOOD REASON.

(i) If the Executive's employment is terminated by the Company for Cause (as defined below) or if the Executive resigns from his employment without Good Reason (as defined below), prior to the expiration of the Term, the Executive shall be entitled to receive: (A) the Salary provided for in Section 3(a) as accrued through the date of such resignation or termination; (B) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; and (C) any unreimbursed expenses. The Executive shall not accrue or otherwise be eligible to receive Salary payments or to participate in any plans, programs or benefits described in Section 5 hereof with respect to periods after the date of such termination or resignation, and shall not be eligible to receive any Bonus in respect of the year of such termination or resignation or any calendar year following the year in which such termination or resignation occurs. Any Bonus in respect of a year prior to the year in which such termination or resignation occurs shall be payable at such time and in such manner as provided for in Section 3(b) hereof.

(ii) Termination for "CAUSE" shall mean termination by action of the

Board because of: (A) Executive's willful and continued failure (other than by reason of the incapacity of Executive due to physical or mental illness) substantially to perform his duties hereunder; (B) a felony conviction of the Executive or the perpetration by the Executive of a serious dishonest act against the Company or any of its affiliates or subsidiaries; (C) any willful misconduct by the Executive that is materially injurious to the financial condition or business reputation of the Company or any of its affiliates or subsidiaries; or (D) chronic alcoholism or drug abuse which materially affects Executive's performance hereunder, PROVIDED, HOWEVER, that no event or circumstance shall be considered to constitute Cause within the meaning of this clause (ii) unless the Executive has been given written notice of the events or circumstances constituting Cause and has failed to effect a cure thereof within 60 calendar days following the receipt of such notice.

(iii) Resignation for "GOOD REASON" shall mean the resignation of the Executive because of (A) a material reduction in Executive's responsibilities, duties, authority, status or titles as described in Section 1 above; or (B) failure by the Company to pay or provide Executive when due any compensation, benefits or perquisites to which Executive is entitled pursuant to this Agreement or any other plan, contract or arrangement in which Executive participates or is entitled to participate; PROVIDED, HOWEVER, that no event or circumstance shall be considered to constitute Good Reason within the meaning of this clause (iii) unless the Company has been given written notice of the events or circumstances constituting Good Reason and has failed

to effect a cure thereof within 60 calendar days following the receipt of such notice.

(iv) The date of termination of employment by the Company pursuant to this Section 7(a) shall be the date specified in a written notice of termination from the Company to the Executive, which, in the case of a proposed termination to which the 60-day cure period provided for in subsection (ii) above applies shall be no less than 61 days after the delivery of such notice to the Executive. The date of a resignation by the Executive pursuant to this Section 7(a) shall be the date specified in the written notice of resignation from the Executive to the Company, which, in the case of a proposed resignation to which the 60-day cure period provided for in subsection (iii) above applies shall be no less than 61 days after the delivery of such notice to the Company, or, if no date is specified therein, 61 days after receipt by the Company of the written notice of resignation from the Executive.

(b) TERMINATION WITHOUT CAUSE, RESIGNATION FOR GOOD REASON.

(i) If the Executive's employment is terminated by the Company without Cause or if the Executive should resign for Good Reason, prior to the expiration of the Term, he shall be entitled to receive: (A) the Salary provided for in Section 3(a) as accrued through the date of such resignation or termination and continuing for the remainder of the then-effective Term (the "CONTINUATION PERIOD"); (B) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; (C) any unreimbursed expenses and (D) a Bonus for the calendar year in which such termination or resignation occurs equal to the Executive's Target Bonus for such year and a Bonus for each subsequent year included in whole or in part within the Continuation Period equal to the Target Bonus for the calendar year in which such termination or resignation occurs, PROVIDED, HOWEVER, that the amount of such Bonus payable in respect of any partial calendar year at the conclusion of the Continuation Period shall be prorated and shall equal the Executive's Bonus for such year multiplied by a fraction, the numerator of which shall equal the number of days in such calendar year up to and including the last day of the Continuation Period and the denominator of which shall equal the lesser of 365 or the number of days in such final calendar year up to and including the last day of the Term.

During the Continuation Period, (X) Salary payments to the Executive

shall be payable in accordance with the payroll practices of the Company, and (Y) Bonus payments shall be made in respect of each calendar year at the same time that bonuses are paid to participants in the Bonus Plan.

The Executive shall also be entitled to continued participation in the medical, dental and insurance plans and arrangements described in Section 5, on the same terms and conditions as are in effect immediately prior to such termination or resignation, until the earlier to occur of (i) the last day of the Continuation Period and (ii) such time as Executive is entitled to comparable benefits provided by a subsequent employer. Anything herein to the contrary notwithstanding, the Company shall have no obligation to continue to maintain during the Continuation Period any plan or program solely as a result of the provisions of this Agreement. If, during the Continuation Period, Executive is precluded from participating in a plan or program by its terms or

applicable law or if the Company for any reason ceases to maintain such plan or program, the Company shall provide Executive with compensation or benefits the aggregate value of which, in the reasonable judgement of the Company, is no less than the aggregate value of the compensation or benefits that Executive would have received under such plan or program had he been eligible to participate therein or had such plan or program continued to be maintained by the Company.

(ii) Except as may be provided under the terms of any applicable grants to the Executive, under any plan or arrangement in which the Executive participates under Section 5 or except as may be otherwise required by applicable law, including, without limitation, the provisions of Section 4980B(f) of the Internal Revenue Code of 1986, as amended (the "CODE"), the Executive shall have no right under this Agreement or any other agreement to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation of employment. Except as otherwise provided in Section 9(d), in the event of a termination or resignation pursuant to this Section 7(b), the Executive shall have no duty of mitigation with respect to amounts payable to him pursuant to this Section 7(b) or other benefits to which he is entitled pursuant hereto; PROVIDED, HOWEVER, that, in the event the Executive breaches any of the provisions of Sections 8 or 9 hereof, the amounts payable to the Executive pursuant to this Section 7(b), or other benefits to which he is entitled pursuant hereto, will be offset or reduced by any compensation, payments or benefits he may receive from a subsequent employer.

(iii) The date of termination of employment by the Company pursuant to this Section 7(b) shall be the date specified in the written notice of termination from the Company to the Executive or, if no date is specified therein, ten business days after receipt by the Executive of the written notice of termination from the Company. The date of a resignation by the Executive pursuant to this Section 7(b) shall be the date specified in the written notice of resignation from the Executive to the Company or, if no date is specified therein, ten business days after receipt by the Company of the written notice of resignation from the Executive.

(c) DEATH OR PERMANENT DISABILITY. If the Executive's employment hereunder terminates by reason of Executive's death or Permanent Disability prior to expiration of the Term, the Executive (or his beneficiary (or if no such beneficiary is designated, his estate), conservator or guardian, as the case may be) shall be entitled to receive: (i) the Salary provided for in Section 3(a) as accrued through the date of the Executive's death or Permanent Disability; (ii) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which the Executive's death or Permanent Disability occurs; (iii) a Bonus for the calendar year in which the Executive's death or Permanent Disability occurs equal to a pro rata portion of the Executive's Target Bonus for such year, determined on the basis of the number of days in such year through the date of Executive's death or Permanent Disability; and (iv) any unreimbursed expenses. Bonus payments provided for in this Section 7(c) shall be made at such time and in such manner as is provided in Section

3(b). As used in this Section, the term "BENEFICIARY" includes both the singular and the plural of such term, as may be appropriate. For purposes of this Agreement, "PERMANENT DISABILITY" shall be defined in the same manner as such term or a similar term is defined in any

long-term disability policy maintained by the Company for the Executive and in effect on the date of the Executive's termination of employment with the Company, PROVIDED that, in the event that the Company does not maintain a long-term disability policy for the Executive, Permanent Disability shall mean a physical or mental incapacity that substantially prevents him from performing his duties hereunder for a period of 6 consecutive months and that can reasonably be expected to continue indefinitely. Any dispute as to whether or not Executive is disabled within the meaning of the preceding sentence shall be resolved by a physician reasonably satisfactory to Executive and the Company, and the determination of such physician shall be final and binding upon both Executive and the Company.

8. ASSIGNMENT OF INTELLECTUAL PROPERTY RIGHTS.

(a) DEFINITION OF "INVENTIONS". As used herein, the term "INVENTIONS" shall mean all inventions, discoveries, improvements, trade secrets, formulas, techniques, data, programs, systems, specifications, documentations, algorithms, flow charts, logic diagrams, source codes, processes, and other information, including works-in-progress, whether or not subject to patent, trademark, copyright, trade secret, or mask work protection, and whether or not reduced to practice, which are made, created, authored, conceived, or reduced to practice by Executive, either alone or jointly with others, during the period of employment with the Company (including, without limitation, all periods of employment with the Company prior to the Effective Date), whether or not performed on the Company's premises or property, which (A) relate to the actual or anticipated business, activities, research, or investigations of the Company or (B) result from or is suggested by work performed by Executive for the Company (whether or not made or conceived during normal working hours or on the premises of the Company), or (C) which result, to any extent, from use of the Company's premises or property.

(b) WORK FOR HIRE. Executive expressly acknowledges that all copyrightable aspects of the Inventions (as defined above) are to be considered "works made for hire" within the meaning of the Copyright Act of 1976, as amended (the "ACT"), and that the Company is to be the "author" within the meaning of such Act for all purposes. All such copyrightable works, as well as all copies of such works in whatever medium, fixed or embodied, shall be owned exclusively by the Company as of the date of creation, and Executive hereby expressly disclaims any and all interest in any of such copyrightable works and waives any right of DROIT MORALE or similar rights.

(c) ASSIGNMENT. Executive acknowledges and agrees that all Inventions constitute trade secrets of the Company and shall be the sole property of the Company or any other entity designated by the Company. In the event that title to any or all of the Inventions, or any part or element thereof, may not, by operation of law, vest in the Company, or such Inventions may be found as a matter of law not to be "works made for hire" within the meaning of the Act, Executive hereby conveys and irrevocably assigns to the Company, without further consideration, all his right, title and interest, throughout the universe and in perpetuity, in all Inventions and all copies of them, in whatever medium, fixed or embodied, and in all written or computer records, graphics, diagrams, notes, or reports relating thereto in Executive's

possession or under his control, including, with respect to any of the foregoing, all rights of copyright, patent, trademark, trade secret, mask work,

and any and all other proprietary rights therein, the right to modify and create derivative works, the right to invoke the benefit of any priority under any international convention, and all rights to register and renew the same. Anything to the contrary notwithstanding, this subsection (c) shall not require Executive to assign any Invention that would cause this Section 8, or any portion thereof, to be void or unenforceable under Section 2870 of the California Labor Code, and Executive acknowledges receipt of the notification required by Section 2872 of the California Labor Code.

(d) PROPRIETARY NOTICES; NO FILINGS; WAIVER OF MORAL RIGHTS. Executive acknowledges that all Inventions shall, at the sole option of the Company, bear the Company's patent, copyright, trademark, trade secret and mask work notices.

Executive agrees not to file any patent, copyright or trademark applications relating to any Invention except with prior written consent of an authorized representative of the Company (other than Executive).

Executive hereby expressly disclaims any and all interest in any Inventions and waives any right of DROIT MORALE or similar rights, such as rights of integrity or the right to be attributed as the creator of the Invention.

(e) FURTHER ASSURANCES. Executive agrees to assist the Company, or any party designated by the Company, promptly on the Company's request, whether before or after the termination of employment, however such termination may occur, in perfecting, registering, maintaining, and enforcing, in all jurisdictions, the Company's rights in the Inventions by performing all acts and executing all documents and instruments deemed necessary or convenient by the Company, including, by way of illustration and not limitation:

(i) Executing assignments, applications, and other documents and instruments in connection with (A) obtaining patents, copyrights, trademarks, mask works, or other proprietary protections for the Inventions and (B) confirming the assignment to the Company of all right, title and interest in the Inventions or otherwise establishing the Company's exclusive ownership rights therein.

(ii) Cooperating in the prosecution of patent, copyright, trademark and mask work applications, as well as in the enforcement of the Company's rights in the Inventions, including, but not limited to, testifying in court or before any patent, copyright, trademark or mask work registry office or any other administrative body.

Executive will be reimbursed for all out-of-pocket costs reasonably incurred in connection with the foregoing, if such assistance is requested by the Company after the termination of Executive's employment. In addition, to the extent that, after the termination of employment for whatever reason, Executive's technical expertise shall be required in connection with the fulfillment of the aforementioned obligations, the Company will compensate

Executive at a reasonable rate for the time actually spent by Executive at the Company's request rendering such assistance.

(f) POWER OF ATTORNEY. Executive hereby irrevocably appoints the Company to be his Attorney-in-Fact to execute any document and to take any action in his name and on his behalf and to generally use his name for the purpose of giving to the Company the full benefit of the assignment provisions set forth above.

(g) DISCLOSURE OF INVENTIONS. Executive will make full and prompt disclosure to the Company of all Inventions subject to assignment to the Company, and all information relating thereto in Executive's possession or under his control as to possible applications and use thereof.

9. NO COMPETING EMPLOYMENT; NO INTERFERENCE; CONFIDENTIALITY; REMEDIES.

(a) NO COMPETING EMPLOYMENT. For so long as the Executive is employed by the Company or any of its affiliates and subsidiaries and continuing for the two-year period commencing at the expiration of the Term hereof or the earlier termination of Executive's employment for any reason other than death (such period being referred to hereinafter as the "RESTRICTED PERIOD"), the Executive shall not, unless he receives after the Effective Date the prior written consent of the Board, directly or indirectly, whether as owner, consultant, employee, partner, venturer, agent, through stock ownership, investment of capital, lending of money or property, rendering of services, or otherwise, compete with the Company or any of its affiliates or subsidiaries in any business in which any of them is engaged during the Term hereunder or at the time of the termination of the Executive's employment hereunder, including without limitation the design, manufacture and/or distribution of men's or women's sportswear or accessories (such businesses are hereinafter referred to as the "BUSINESS"), or assist, become interested in or be connected with any corporation, firm, partnership, joint venture, sole proprietorship or other entity which so competes with the Business, except that the provisions of this Section 9(a) will not be deemed breached merely because Executive owns equity in (i) Charles David of California, (ii) California Sunshine Active Wear, Inc.; or (iii) Nantucket Industries, Inc. or because Executive "beneficially owns", either individually or as a member of a "group" (as such terms are used in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), not more than five percent (5%) of the voting securities of any one or more companies that file reports pursuant to the Exchange Act. After the expiration of the Term hereof and during the two-year period referenced above, the restrictions imposed by this paragraph shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(b) NO INTERFERENCE. During the Restricted Period, the Executive shall not, for the purpose of competing with the Business, directly or indirectly, whether for his own account or for the account of any other individual, partnership, firm, corporation or other business organization or entity (other than the Company), intentionally solicit, endeavor to entice

away from the Company or any of its affiliates or subsidiaries, or otherwise intentionally interfere with the relationship of the Company or any of its affiliates or subsidiaries with any person who is employed by or otherwise engaged to perform services for the Company or any of its affiliates or subsidiaries or influence, or seek to influence, any person or entity who is a customer, client or supplier of the Company or any of its affiliates or subsidiaries to divert their business to any person or entity that competes with the Company or any of its affiliates or subsidiaries, nor shall the Executive participate in the efforts of any individual, partnership, firm, corporation or other business corporation or entity for which he provides services, by which he is employed, or in which he invests, to do so, except that the provisions of this Section 9(b) will not be deemed breached merely because Executive owns equity in (i) Charles David of California, (ii) California Sunshine Active Wear, Inc.; or (iii) Nantucket Industries, Inc. or because Executive "beneficially owns", either individually or as a member of a "group" (as such terms are used in Rule 13d-3 under the Exchange Act), not more than five percent (5%) of the voting securities of any one or more companies that file reports pursuant to the Exchange Act. After the expiration of the Term hereof and during the two-year period referenced in subsection 9(a), the restrictions imposed by this paragraph shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(c) CONFIDENTIAL INFORMATION. The Executive recognizes that the services to be performed by him hereunder, and the services performed by him during prior periods of employment with the Company, are special, unique and extraordinary and that, by reason of such employment, he has acquired and will continue to acquire confidential information and trade secrets concerning the operations of the Company and its affiliates and subsidiaries. Accordingly, the Executive agrees that he will not, except with the prior written consent of the Board or as may be required by law, directly or indirectly, disclose during the Term or any time thereafter any secret or confidential information that he has learned by reason of his association with the Company or any of its affiliates or subsidiaries or use any such information to the detriment of the Company or its affiliates or subsidiaries so long as such confidential information or trade secrets have not been disclosed or are not otherwise in the public domain. The term "CONFIDENTIAL INFORMATION" means any information about the Company, its subsidiaries and affiliates, and their respective clients and customers, not previously disclosed to the public or to the trade by the Company's management, including, without limitation, any products, data, formulae, facilities and methods, trade secrets and other intellectual property, systems, records (including computer records), procedures, manuals, confidential reports, product price lists, client and customer lists, financial information (including the revenues, costs or profits associated with any of the Company's products), business plans, prospects or opportunities.

(d) REMEDIES; SURVIVAL OF AGREEMENT. In the event that the Executive materially breaches any of the covenants set forth in this Section 9 and fails to cure such breach to the reasonable satisfaction of the Company within 10 business days after receipt of written notice thereof to the Executive, any obligation of the Company to make any payment to the Executive

pursuant to this Agreement, including without limitation any payments pursuant to Section 7(b) (other than payments of Salary or Bonus earned prior to the date of such breach and unreimbursed expenses), shall be cancelled. In addition, the Executive acknowledges that a breach of any of the covenants contained in this Section 9 may result in material irreparable injury to the Company or its affiliates or subsidiaries for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled, in addition to any other rights or remedies it may have, to seek an injunction enjoining or restraining the Executive from any violation or threatened violation of this Section 9. The Executive's agreement as set forth in this Section shall survive the termination of the Executive's employment under this Agreement.

10. SOURCE OF PAYMENTS. All payments provided under this Agreement, other than payments made pursuant to a benefit plan which may provide otherwise, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. The Executive shall have no right, title, or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and the Executive or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

11. TAX WITHHOLDING. Payments to the Executive of all compensation contemplated under this Agreement shall be subject to all applicable legal requirements with respect to the withholding of taxes.

12. NONASSIGNABILITY; BINDING AGREEMENT. Neither this Agreement nor any right, duty, obligation or interest hereunder shall be assignable or delegable by the Executive without the Company's prior written consent;

PROVIDED, HOWEVER, that nothing in this Section shall preclude the Executive from designating any of his beneficiaries to receive any benefits payable hereunder upon his death or disability, or his executors, administrators, or other legal representatives, from assigning any rights hereunder to the person or persons entitled thereto. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto, any successors to or assigns of the Company and the Executive's heirs and the personal representatives of the Executive's estate.

13. AMENDMENT; WAIVER. This Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by the parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

14. NOTICES. Any notice hereunder by either party to the other shall be given in writing by personal delivery, telex, telecopy or certified mail, return receipt requested, to the applicable address set forth below:

(i) To the Company: Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Attention: General Counsel
Telecopier: (213) 765-3100

(ii) To the Executive: Mr. Maurice Marciano
Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Telecopier: (213) 744-7825

(or such other address as may from time to time be designated by notice by any party hereto for such purpose). Notice shall be deemed given, if by personal delivery, on the date of such delivery or, if by telex or telecopy, on the business day following receipt of answerback or telecopy confirmation or, if by certified mail, on the date shown on the applicable return receipt.

15. CALIFORNIA LAW. This Agreement is to be governed by and interpreted in accordance with the laws of the State of California, without giving effect to the choice-of-law provisions thereof. If, under such law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto or, if that is not possible, to be omitted from this Agreement, and the invalidity of any such portion shall not affect the force, effect and validity of the remaining portion hereof.

16. ARBITRATION. Any controversy or claim arising out of or relating to this Agreement, including, but not limited to, any claim relating to its validity, interpretation, enforceability or breach, or any other claim or controversy arising out of the employment relationship or the commencement or termination of that relationship, including, but not limited to, claims for breach of covenant, breach of implied covenant or intentional infliction of emotional distress, which are not settled by agreement between the parties, shall be settled by arbitration in Los Angeles, California before a board of three arbitrators, one to be selected by the Company, one by Executive and the other by the two persons so selected, all in accordance with the labor arbitration rules of the American Arbitration Association then in effect; PROVIDED, HOWEVER, that the Company shall nevertheless be entitled to seek relief under Section 9 in accordance with Section 9(d). In consideration of the parties' agreement to submit to arbitration disputes with regard to this Agreement and with regard to any alleged contract or tort or other claim arising out of the employment relationship, and in consideration of the anticipated expedition and minimization of expense of this arbitration remedy, each party

agrees that the arbitration provisions of this Agreement shall provide it with exclusive remedy, except as provided in the preceding sentence, and each party expressly waives any right it might have to seek redress in any other forum except as provided herein. The parties further agree that the arbitrators acting hereunder shall be empowered to assess no remedy other than the payment of compensatory damages or an order (including

temporary, preliminary and permanent injunctive relief) enforcing the provisions of Section 9. Executive acknowledges that the Company would be irreparably injured by Executive's breach of his obligations under Section 9 and that monetary damages would be inadequate. Subject to the provisions of Section 17(b) hereof, the expenses of the third arbitrator and of a transcript of any arbitration proceeding shall be divided equally between the Company and Executive and each party shall bear the expense of the arbitrator selected by it and of any witnesses it calls. Any decision and award or order of the majority of the arbitrators shall be binding upon the parties hereto and judgment thereon may be entered in any court having jurisdiction thereof.

17. INDEMNITY AND REIMBURSEMENT OF LEGAL EXPENSES.

(a) INDEMNITY. The Company will indemnify the Executive (and his legal representatives or other successors) to the fullest extent permitted (including payment of expenses in advance of final disposition of a proceeding) by the laws of the State of California, as in effect at the time of the subject act or omission, or by the Certificate of Incorporation and By-Laws of the Company, as in effect at such time, or by the terms of any indemnification agreement between the Company and the Executive, whichever affords greatest protection to the Executive, and the Executive shall be entitled to the protection of any insurance policies the Company may elect to maintain generally for the benefit of its directors and officers (and to the extent the Company maintains such an insurance policy or policies, the Executive shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company officer or director), against all costs, charges and expenses whatsoever incurred or sustained by him or his legal representatives at the time such costs, charges and expenses are incurred or sustained, in connection with any action, suit or proceeding to which he (or his legal representatives or other successors) may be made a party by reason of his being or having been a director, officer or employee of the Company or any subsidiary thereof, or his serving or having served any other enterprises as a director, officer or employee at the request of the Company.

(b) LEGAL FEES AND EXPENSES. In the event of a dispute between the Executive and the Company with respect to any of the Executive's rights under this Agreement, the Company shall reimburse the Executive for any and all legal fees and related expenses reasonably incurred by him in connection with enforcing such rights if the Executive is successful in obtaining a money judgment against the Company in a final arbitration proceeding. In addition, the Company shall reimburse Executive for all reasonable legal expenses in connection with the negotiation and review of this Agreement and any amendments thereto.

18. COUNTERPARTS. This Agreement may be executed by either of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 13th day of August, 1996, effective as of the Effective Date.

GUESS ?, INC.

By:

Title:

Maurice Marciano

*10.26. Employment Agreement between the Registrant and Paul Marciano.

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EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, made as of August 13, 1996, by and between Guess ?, Inc., a Delaware corporation (herein referred to as the "COMPANY"), and Paul Marciano (herein referred to as the "EXECUTIVE").

W I T N E S S E T H:

WHEREAS, the Company intends to make an underwritten initial public offering of its common stock (the "PUBLIC OFFERING"); and

WHEREAS, in connection with the Public Offering, the Company and Executive deem it to be in their respective best interests to enter into an agreement providing for the Company's employment of Executive pursuant to the terms herein stated;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto hereby agree as follows:

1. EMPLOYMENT; POSITION AND DUTIES; EXCLUSIVE SERVICES.

(a) EMPLOYMENT. The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, for the Term provided in Section 2 below and upon the other terms and conditions hereinafter provided.

(b) POSITION AND DUTIES. During the Term, the Executive (i) agrees to serve as the President and Chief Operating Officer of the Company and to perform such reasonable duties as may be delineated in the By-Laws of the Company and as may be assigned to him from time to time by the Board of Directors of the Company (the "BOARD"), including, without limitation, primary responsibility for all advertising, management information systems and legal functions of the Company, (ii) shall report, as President and Chief Operating Officer of the Company, only to the Board or to the Chairman of the Board and to the Chief Executive Officer of the Company, (iii) shall be given such authority as is appropriate to carry out the duties described above, it being understood that, in his capacities as President and Chief Operating Officer of the Company, his duties will be consistent in scope, prestige and authority with the duties of President and Chief Operating Officer of the Company as demonstrated by the Company's existing practices as of the effective date of this Agreement, and (v) agrees to serve, if elected, at no additional compensation (if the other officers or directors (other than non-employee directors) of the Company also serve at no additional compensation) in the position of officer or director of any subsidiary or affiliate of the Company; PROVIDED, HOWEVER, that such position shall be of no less status relative to such subsidiary or affiliate as the position that the Executive holds pursuant to clause (i) of this Section 1(b) is relative to the Company.

(c) EXCLUSIVE SERVICES. During the Term, the Executive agrees to devote substantially all of his business time, attention, skill and efforts exclusively to the business and affairs of the Company and its subsidiaries

and affiliates, and shall perform and discharge the duties which may be assigned to him from time to time by the Board or the Chief Executive Officer.

(d) RELOCATION. The Company shall not relocate the Executive's principal place of business outside of the Los Angeles metropolitan area without the written consent of the Executive.

2. TERM OF AGREEMENT. The term of employment under this Agreement shall initially be the three-year period commencing on the date of the Public Offering (the "EFFECTIVE DATE") and ending on the third anniversary of the Effective Date, and shall be automatically extended without further action by either party for a successive or successive one-year period or periods, unless written notice of either party's intention to terminate this Agreement has been given to the other party at least 90 days prior to the expiration of the Term (including any one-year extension thereof). As used in this Agreement, the "TERM" shall mean the initial three-year term plus any extensions thereof as provided in this Section 2.

3. SALARY AND ANNUAL BONUS. The Executive's cash compensation for all services to be rendered by him in any capacity hereunder shall consist of base salary as provided in Section 3(a) and bonus compensation as provided in Section 3(b).

(a) SALARY. The Executive shall be paid a minimum base salary (the "SALARY") at the rate of $900,000 per annum. The Salary shall be payable in accordance with the customary payroll practices for executives of the Company. The amount of Executive's Salary will be reviewed not less often than annually by the Compensation Committee of the Board (the "COMPENSATION COMMITTEE") and may be increased, but not decreased below such amount, on the basis of such review.

(b) ANNUAL BONUS.

(i) GENERAL TERMS. For each calendar year included in whole or in part within the Term, the Executive shall be eligible to earn an annual cash bonus (a "BONUS") based upon the achievement by the Company and its subsidiaries of performance targets established by the Compensation Committee in accordance with the terms of the Company's Annual Incentive Bonus Plan and any successor plan thereto (collectively, the "BONUS PLAN"). The performance goals on the basis of which the Executive's bonus shall be determined shall be no less favorable to the Executive than the goals used to determine the bonus of any other executive of the Company whose annual bonus is based in whole or in part on corporate performance and who participates in the Bonus Plan, and the Compensation Committee shall establish objective criteria to be used to determine the extent to which such performance goals have been met. The Bonus, if any, payable to the Executive in respect of each calendar year will be paid at the same time that bonuses are paid to other participants in the Bonus Plan.

(ii) AMOUNT OF TARGET BONUS. For each calendar year included in whole or in part within the Term, there shall be a target Bonus (a "TARGET BONUS") for the Executive equal to at least 100% of Executive's Salary, at the annual rate in effect at the beginning of such calendar year (pro rated, if less than an entire year).

(iii) DETERMINATION OF THE BONUS AMOUNT. The amount of the actual Bonus for any calendar year to be paid to the Executive will be determined, in the sole discretion of the Compensation Committee, based upon the performance of the Company and its subsidiaries against the goals established by the Compensation Committee pursuant to the Bonus Plan.

4. STOCK OPTIONS. Commencing as of the Effective Date, Executive shall be eligible for option grants under the Company's 1996 Equity Incentive Plan and any successor plan thereto for the Company's executive officers, in accordance with the terms and conditions thereof.

5. PENSION AND WELFARE BENEFITS. During the Term, the Executive will participate in all pension and welfare plans, programs and benefits that are applicable to executives of the Company. The benefits provided to the Executive during the Term, when taken as a whole, shall be no less favorable than the benefits which, when taken as a whole, are provided to any other executive of the Company; PROVIDED that Executive shall continue to receive life insurance coverage in an amount equal to at least one (1) times his then Salary. During

the Term, the Executive shall also be entitled to all additional perquisites which the Company provides to its executives. Subject to subsection 7(a)(i) hereof, from and after the expiration of the Term or, if earlier, the date of termination of Executive's employment hereunder, Executive shall be entitled, during his lifetime, to full Company-paid health and life insurance for himself and his immediate family, at a level no less favorable than that in effect from time to time for the benefit of the Company's senior executive officers.

6. OTHER BENEFITS.

(a) TRAVEL AND BUSINESS-RELATED EXPENSES. During the Term, the Executive shall be reimbursed in accordance with the policies of the Company for traveling and other expenses incurred in the performance of the business of the Company.

(b) AUTOMOBILE. During the Term, the Executive shall be furnished with an automobile either owned or leased by the Company or an automobile allowance, at the discretion of the Company. The Company shall pay or reimburse the Executive for all reasonable expenses associated with the operation of such automobile, including, without limitation, all reasonable maintenance and insurance expenses.

(c) AIRCRAFT. The Executive shall be provided with reasonable access to any aircraft leased or owned by the Company.

(d) COUNTRY CLUB MEMBERSHIP. During the Term, the Company shall pay the Executive's reasonable membership expenses (including fees, dues and related expenses) at such country club or clubs as approved by the Board.

(e) CONSULTING AGREEMENT. Commencing on the expiration of the Term of this Agreement or, if earlier, the date of termination of Executive's employment hereunder for any reason other than death or for Cause (as defined below), and subject to the provisions of Sections 8 and 9 hereof, the Company and Executive shall enter into a two (2) year consulting agreement pursuant to which Executive shall render consulting services to the Company as Executive

and the Company shall agree, for which the Company shall pay Executive a consulting fee at an annual rate equal to 50% of Executive's Salary, at the rate in effect immediately prior to the commencement of the consulting period, payable in accordance with the customary payroll practices for executives of the Company or at such other time or times as Executive and the Company shall agree. It is expressly understood that Executive's reporting obligations pursuant to such consulting agreement shall be limited to the Board and the Chief Executive Officer of the Company, or such other person as Executive and the Company shall agree.

7. TERMINATION OF EMPLOYMENT.

(a) TERMINATION FOR CAUSE, RESIGNATION WITHOUT GOOD REASON.

(i) If the Executive's employment is terminated by the Company for Cause (as defined below) or if the Executive resigns from his employment without Good Reason (as defined below), prior to the expiration of the Term, the Executive shall be entitled to receive: (A) the Salary provided for in Section 3(a) as accrued through the date of such resignation or termination; (B) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; and (C) any unreimbursed expenses. The Executive shall not accrue or otherwise be eligible to receive Salary payments or to participate in any plans, programs or benefits described in Section 5 hereof with respect to periods after the date of such termination or resignation, and shall not be eligible to receive any Bonus in respect of the year of such termination or resignation or any calendar year following the year in which such termination or resignation occurs. Any Bonus in respect of a year prior to the year in which such termination or resignation occurs shall be

payable at such time and in such manner as provided for in Section 3(b) hereof.

(ii) Termination for "CAUSE" shall mean termination by action of the Board because of: (A) Executive's willful and continued failure (other than by reason of the incapacity of Executive due to physical or mental illness) substantially to perform his duties hereunder; (B) a felony conviction of the Executive or the perpetration by the Executive of a serious dishonest act against the Company or any of its affiliates or subsidiaries; (C) any willful misconduct by the Executive that is materially injurious to the financial condition or business reputation of the Company or any of its affiliates or subsidiaries; or (D) chronic alcoholism or drug abuse which materially affects Executive's performance hereunder, PROVIDED, HOWEVER, that no event or circumstance shall be considered to constitute Cause within the meaning of this clause (ii) unless the Executive has been given written notice of the events or circumstances constituting Cause and has failed to effect a cure thereof within 60 calendar days following the receipt of such notice.

(iii) Resignation for "GOOD REASON" shall mean the resignation of the Executive because of (A) a material reduction in Executive's responsibilities, duties, authority, status or titles as described in Section 1 above; or (B) failure by the Company to pay or provide Executive when due any compensation, benefits or perquisites to which Executive is entitled pursuant to this Agreement or any other plan, contract or arrangement in which Executive participates or is entitled to participate; PROVIDED, HOWEVER, that no event or circumstance shall be considered to constitute Good Reason within

the meaning of this clause (iii) unless the Company has been given written notice of the events or circumstances constituting Good Reason and has failed to effect a cure thereof within 60 calendar days following the receipt of such notice.

(iv) The date of termination of employment by the Company pursuant to this Section 7(a) shall be the date specified in a written notice of termination from the Company to the Executive, which, in the case of a proposed termination to which the 60-day cure period provided for in subsection (ii) above applies shall be no less than 61 days after the delivery of such notice to the Executive. The date of a resignation by the Executive pursuant to this Section 7(a) shall be the date specified in the written notice of resignation from the Executive to the Company, which, in the case of a proposed resignation to which the 60-day cure period provided for in subsection (iii) above applies shall be no less than 61 days after the delivery of such notice to the Company, or, if no date is specified therein, 61 days after receipt by the Company of the written notice of resignation from the Executive.

(b) TERMINATION WITHOUT CAUSE, RESIGNATION FOR GOOD REASON.

(i) If the Executive's employment is terminated by the Company without Cause or if the Executive should resign for Good Reason, prior to the expiration of the Term, he shall be entitled to receive: (A) the Salary provided for in Section 3(a) as accrued through the date of such resignation or termination and continuing for the remainder of the then-effective Term (the "CONTINUATION PERIOD"); (B) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; (C) any unreimbursed expenses and (D) a Bonus for the calendar year in which such termination or resignation occurs equal to the Executive's Target Bonus for such year and a Bonus for each subsequent year included in whole or in part within the Continuation Period equal to the Target Bonus for the calendar year in which such termination or resignation occurs, PROVIDED, HOWEVER, that the amount of such Bonus payable in respect of any partial calendar year at the conclusion of the Continuation Period shall be prorated and shall equal the Executive's Bonus for such year multiplied by a fraction, the numerator of which shall equal the number of days in such calendar year up to and including the last day of the Continuation Period and the denominator of which shall equal the lesser of 365 or the number of days in such final calendar year up to and

including the last day of the Term.

During the Continuation Period, (X) Salary payments to the Executive shall be payable in accordance with the payroll practices of the Company, and (Y) Bonus payments shall be made in respect of each calendar year at the same time that bonuses are paid to participants in the Bonus Plan.

The Executive shall also be entitled to continued participation in the medical, dental and insurance plans and arrangements described in Section 5, on the same terms and conditions as are in effect immediately prior to such termination or resignation, until the earlier to occur of (i) the last day of the Continuation Period and (ii) such time as Executive is entitled to comparable benefits provided by a subsequent employer. Anything herein to the contrary notwithstanding, the Company shall have no obligation to continue to maintain during the Continuation Period any plan or program solely as a result

of the provisions of this Agreement. If, during the Continuation Period, Executive is precluded from participating in a plan or program by its terms or applicable law or if the Company for any reason ceases to maintain such plan or program, the Company shall provide Executive with compensation or benefits the aggregate value of which, in the reasonable judgement of the Company, is no less than the aggregate value of the compensation or benefits that Executive would have received under such plan or program had he been eligible to participate therein or had such plan or program continued to be maintained by the Company.

(ii) Except as may be provided under the terms of any applicable grants to the Executive, under any plan or arrangement in which the Executive participates under Section 5 or except as may be otherwise required by applicable law, including, without limitation, the provisions of Section 4980B(f) of the Internal Revenue Code of 1986, as amended (the "CODE"), the Executive shall have no right under this Agreement or any other agreement to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation of employment. Except as otherwise provided in Section 9(d), in the event of a termination or resignation pursuant to this Section 7(b), the Executive shall have no duty of mitigation with respect to amounts payable to him pursuant to this Section 7(b) or other benefits to which he is entitled pursuant hereto; PROVIDED, HOWEVER, that, in the event the Executive breaches any of the provisions of Sections 8 or 9 hereof, the amounts payable to the Executive pursuant to this Section 7(b), or other benefits to which he is entitled pursuant hereto, will be offset or reduced by any compensation, payments or benefits he may receive from a subsequent employer.

(iii) The date of termination of employment by the Company pursuant to this Section 7(b) shall be the date specified in the written notice of termination from the Company to the Executive or, if no date is specified therein, ten business days after receipt by the Executive of the written notice of termination from the Company. The date of a resignation by the Executive pursuant to this Section 7(b) shall be the date specified in the written notice of resignation from the Executive to the Company or, if no date is specified therein, ten business days after receipt by the Company of the written notice of resignation from the Executive.

(c) DEATH OR PERMANENT DISABILITY. If the Executive's employment hereunder terminates by reason of Executive's death or Permanent Disability prior to expiration of the Term, the Executive (or his beneficiary (or if no such beneficiary is designated, his estate), conservator or guardian, as the case may be) shall be entitled to receive: (i) the Salary provided for in Section 3(a) as accrued through the date of the Executive's death or Permanent Disability; (ii) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which the Executive's death or Permanent Disability occurs; (iii) a Bonus for the calendar year in which the Executive's death or Permanent Disability occurs equal to a pro rata portion of the Executive's Target Bonus for such year, determined on the basis of the number of days in

such year through the date of Executive's death or Permanent Disability; and (iv) any unreimbursed expenses. Bonus payments provided for in this Section 7(c) shall be made at such time and in such manner as is provided in Section 3(b). As used in this Section, the term "BENEFICIARY" includes both the singular and the plural of such term, as may

be appropriate. For purposes of this Agreement, "PERMANENT DISABILITY" shall be defined in the same manner as such term or a similar term is defined in any long-term disability policy maintained by the Company for the Executive and in effect on the date of the Executive's termination of employment with the Company, PROVIDED that, in the event that the Company does not maintain a long-term disability policy for the Executive, Permanent Disability shall mean a physical or mental incapacity that substantially prevents him from performing his duties hereunder for a period of 6 consecutive months and that can reasonably be expected to continue indefinitely. Any dispute as to whether or not Executive is disabled within the meaning of the preceding sentence shall be resolved by a physician reasonably satisfactory to Executive and the Company, and the determination of such physician shall be final and binding upon both Executive and the Company.

8. ASSIGNMENT OF INTELLECTUAL PROPERTY RIGHTS.

(a) DEFINITION OF "INVENTIONS". As used herein, the term "INVENTIONS" shall mean all inventions, discoveries, improvements, trade secrets, formulas, techniques, data, programs, systems, specifications, documentations, algorithms, flow charts, logic diagrams, source codes, processes, and other information, including works-in-progress, whether or not subject to patent, trademark, copyright, trade secret, or mask work protection, and whether or not reduced to practice, which are made, created, authored, conceived, or reduced to practice by Executive, either alone or jointly with others, during the period of employment with the Company (including, without limitation, all periods of employment with the Company prior to the Effective Date), whether or not performed on the Company's premises or property, which (A) relate to the actual or anticipated business, activities, research, or investigations of the Company or (B) result from or is suggested by work performed by Executive for the Company (whether or not made or conceived during normal working hours or on the premises of the Company), or (C) which result, to any extent, from use of the Company's premises or property.

(b) WORK FOR HIRE. Executive expressly acknowledges that all copyrightable aspects of the Inventions (as defined above) are to be considered "works made for hire" within the meaning of the Copyright Act of 1976, as amended (the "ACT"), and that the Company is to be the "author" within the meaning of such Act for all purposes. All such copyrightable works, as well as all copies of such works in whatever medium, fixed or embodied, shall be owned exclusively by the Company as of the date of creation, and Executive hereby expressly disclaims any and all interest in any of such copyrightable works and waives any right of DROIT MORALE or similar rights.

(c) ASSIGNMENT. Executive acknowledges and agrees that all Inventions constitute trade secrets of the Company and shall be the sole property of the Company or any other entity designated by the Company. In the event that title to any or all of the Inventions, or any part or element thereof, may not, by operation of law, vest in the Company, or such Inventions may be found as a matter of law not to be "works made for hire" within the meaning of the Act, Executive hereby conveys and irrevocably assigns to the Company, without further consideration, all his right, title and interest, throughout the universe and in perpetuity, in all Inventions and all copies of

them, in whatever medium, fixed or embodied, and in all written or computer

records, graphics, diagrams, notes, or reports relating thereto in Executive's possession or under his control, including, with respect to any of the foregoing, all rights of copyright, patent, trademark, trade secret, mask work, and any and all other proprietary rights therein, the right to modify and create derivative works, the right to invoke the benefit of any priority under any international convention, and all rights to register and renew the same. Anything to the contrary notwithstanding, this subsection (c) shall not require Executive to assign any Invention that would cause this Section 8, or any portion thereof, to be void or unenforceable under Section 2870 of the California Labor Code, and Executive acknowledges receipt of the notification required by Section 2872 of the California Labor Code.

(d) PROPRIETARY NOTICES; NO FILINGS; WAIVER OF MORAL RIGHTS. Executive acknowledges that all Inventions shall, at the sole option of the Company, bear the Company's patent, copyright, trademark, trade secret and mask work notices.

Executive agrees not to file any patent, copyright or trademark applications relating to any Invention except with prior written consent of an authorized representative of the Company (other than Executive).

Executive hereby expressly disclaims any and all interest in any Inventions and waives any right of DROIT MORALE or similar rights, such as rights of integrity or the right to be attributed as the creator of the Invention.

(e) FURTHER ASSURANCES. Executive agrees to assist the Company, or any party designated by the Company, promptly on the Company's request, whether before or after the termination of employment, however such termination may occur, in perfecting, registering, maintaining, and enforcing, in all jurisdictions, the Company's rights in the Inventions by performing all acts and executing all documents and instruments deemed necessary or convenient by the Company, including, by way of illustration and not limitation:

(i) Executing assignments, applications, and other documents and instruments in connection with (A) obtaining patents, copyrights, trademarks, mask works, or other proprietary protections for the Inventions and (B) confirming the assignment to the Company of all right, title and interest in the Inventions or otherwise establishing the Company's exclusive ownership rights therein.

(ii) Cooperating in the prosecution of patent, copyright, trademark and mask work applications, as well as in the enforcement of the Company's rights in the Inventions, including, but not limited to, testifying in court or before any patent, copyright, trademark or mask work registry office or any other administrative body.

Executive will be reimbursed for all out-of-pocket costs reasonably incurred in connection with the foregoing, if such assistance is requested by the Company after the termination of Executive's employment. In addition, to the extent that, after the termination of employment for whatever reason, Executive's technical expertise shall be required in connection with

the fulfillment of the aforementioned obligations, the Company will compensate Executive at a reasonable rate for the time actually spent by Executive at the Company's request rendering such assistance.

(f) POWER OF ATTORNEY. Executive hereby irrevocably appoints the Company to be his Attorney-in-Fact to execute any document and to take any action in his name and on his behalf and to generally use his name for the purpose of giving to the Company the full benefit of the assignment provisions set forth above.

(g) DISCLOSURE OF INVENTIONS. Executive will make full and prompt

disclosure to the Company of all Inventions subject to assignment to the Company, and all information relating thereto in Executive's possession or under his control as to possible applications and use thereof.

9. NO COMPETING EMPLOYMENT; NO INTERFERENCE; CONFIDENTIALITY; REMEDIES.

(a) NO COMPETING EMPLOYMENT. For so long as the Executive is employed by the Company or any of its affiliates and subsidiaries and continuing for the two-year period commencing at the expiration of the Term hereof or the earlier termination of Executive's employment for any reason other than death (such period being referred to hereinafter as the "RESTRICTED PERIOD"), the Executive shall not, unless he receives after the Effective Date the prior written consent of the Board, directly or indirectly, whether as owner, consultant, employee, partner, venturer, agent, through stock ownership, investment of capital, lending of money or property, rendering of services, or otherwise, compete with the Company or any of its affiliates or subsidiaries in any business in which any of them is engaged during the Term hereunder or at the time of the termination of the Executive's employment hereunder, including without limitation the design, manufacture and/or distribution of men's or women's sportswear or accessories (such businesses are hereinafter referred to as the "BUSINESS"), or assist, become interested in or be connected with any corporation, firm, partnership, joint venture, sole proprietorship or other entity which so competes with the Business, except that the provisions of this Section 9(a) will not be deemed breached merely because Executive owns equity in (i) Charles David of California, (ii) California Sunshine Active Wear, Inc.; or (iii) Nantucket Industries, Inc. or because Executive "beneficially owns", either individually or as a member of a "group" (as such terms are used in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), not more than five percent (5%) of the voting securities of any one or more companies that file reports pursuant to the Exchange Act. After the expiration of the Term hereof and during the two-year period referenced above, the restrictions imposed by this paragraph shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(b) NO INTERFERENCE. During the Restricted Period, the Executive shall not, for the purpose of competing with the Business, directly or indirectly, whether for his own account or for the account of any other individual, partnership, firm, corporation or other business organization or

entity (other than the Company), intentionally solicit, endeavor to entice away from the Company or any of its affiliates or subsidiaries, or otherwise intentionally interfere with the relationship of the Company or any of its affiliates or subsidiaries with any person who is employed by or otherwise engaged to perform services for the Company or any of its affiliates or subsidiaries or influence, or seek to influence, any person or entity who is a customer, client or supplier of the Company or any of its affiliates or subsidiaries to divert their business to any person or entity that competes with the Company or any of its affiliates or subsidiaries, nor shall the Executive participate in the efforts of any individual, partnership, firm, corporation or other business corporation or entity for which he provides services, by which he is employed, or in which he invests, to do so, except that the provisions of this Section 9(b) will not be deemed breached merely because Executive owns equity in (i) Charles David of California, (ii) California Sunshine Active Wear, Inc.; or (iii) Nantucket Industries, Inc. or because Executive "beneficially owns", either individually or as a member of a "group" (as such terms are used in Rule 13d-3 under the Exchange Act), not more than five percent (5%) of the voting securities of any one or more companies that file reports pursuant to the Exchange Act. After the expiration of the Term hereof and during the two-year period referenced in subsection 9(a), the restrictions imposed by this paragraph shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the Executive's

employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(c) CONFIDENTIAL INFORMATION. The Executive recognizes that the services to be performed by him hereunder, and the services performed by him during prior periods of employment with the Company, are special, unique and extraordinary and that, by reason of such employment, he has acquired and will continue to acquire confidential information and trade secrets concerning the operations of the Company and its affiliates and subsidiaries. Accordingly, the Executive agrees that he will not, except with the prior written consent of the Board or as may be required by law, directly or indirectly, disclose during the Term or any time thereafter any secret or confidential information that he has learned by reason of his association with the Company or any of its affiliates or subsidiaries or use any such information to the detriment of the Company or its affiliates or subsidiaries so long as such confidential information or trade secrets have not been disclosed or are not otherwise in the public domain. The term "CONFIDENTIAL INFORMATION" means any information about the Company, its subsidiaries and affiliates, and their respective clients and customers, not previously disclosed to the public or to the trade by the Company's management, including, without limitation, any products, data, formulae, facilities and methods, trade secrets and other intellectual property, systems, records (including computer records), procedures, manuals, confidential reports, product price lists, client and customer lists, financial information (including the revenues, costs or profits associated with any of the Company's products), business plans, prospects or opportunities.

(d) REMEDIES; SURVIVAL OF AGREEMENT. In the event that the Executive materially breaches any of the covenants set forth in this Section 9 and fails to cure such breach to the reasonable satisfaction of the Company within 10 business days after receipt of written notice thereof to the

Executive, any obligation of the Company to make any payment to the Executive pursuant to this Agreement, including without limitation any payments pursuant to Section 7(b) (other than payments of Salary or Bonus earned prior to the date of such breach and unreimbursed expenses), shall be cancelled. In addition, the Executive acknowledges that a breach of any of the covenants contained in this Section 9 may result in material irreparable injury to the Company or its affiliates or subsidiaries for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled, in addition to any other rights or remedies it may have, to seek an injunction enjoining or restraining the Executive from any violation or threatened violation of this Section 9. The Executive's agreement as set forth in this Section shall survive the termination of the Executive's employment under this Agreement.

10. SOURCE OF PAYMENTS. All payments provided under this Agreement, other than payments made pursuant to a benefit plan which may provide otherwise, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. The Executive shall have no right, title, or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and the Executive or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

11. TAX WITHHOLDING. Payments to the Executive of all compensation contemplated under this Agreement shall be subject to all applicable legal requirements with respect to the withholding of taxes.

12. NONASSIGNABILITY; BINDING AGREEMENT. Neither this Agreement nor any right, duty, obligation or interest hereunder shall be assignable or delegable by the Executive without the Company's prior written consent; PROVIDED, HOWEVER, that nothing in this Section shall preclude the Executive from designating any of his beneficiaries to receive any benefits payable hereunder upon his death or disability, or his executors, administrators, or other legal representatives, from assigning any rights hereunder to the person or persons entitled thereto. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto, any successors to or assigns of the Company and the Executive's heirs and the personal representatives of the Executive's estate.

13. AMENDMENT; WAIVER. This Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by the parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

14. NOTICES. Any notice hereunder by either party to the other shall be given in writing by personal delivery, telex, telecopy or certified mail, return receipt requested, to the applicable address set forth below:

(i) To the Company: Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Attention: General Counsel
Telecopier: (213) 765-3100

(ii) To the Executive: Mr. Paul Marciano
Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Telecopier: (213) 744-7825

(or such other address as may from time to time be designated by notice by any party hereto for such purpose). Notice shall be deemed given, if by personal delivery, on the date of such delivery or, if by telex or telecopy, on the business day following receipt of answerback or telecopy confirmation or, if by certified mail, on the date shown on the applicable return receipt.

15. CALIFORNIA LAW. This Agreement is to be governed by and interpreted in accordance with the laws of the State of California, without giving effect to the choice-of-law provisions thereof. If, under such law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto or, if that is not possible, to be omitted from this Agreement, and the invalidity of any such portion shall not affect the force, effect and validity of the remaining portion hereof.

16. ARBITRATION. Any controversy or claim arising out of or relating to this Agreement, including, but not limited to, any claim relating to its validity, interpretation, enforceability or breach, or any other claim or controversy arising out of the employment relationship or the commencement or termination of that relationship, including, but not limited to, claims for breach of covenant, breach of implied covenant or intentional infliction of emotional distress, which are not settled by agreement between the parties, shall be settled by arbitration in Los Angeles, California before a board of three arbitrators, one to be selected by the Company, one by Executive and the other by the two persons so selected, all in accordance with the labor arbitration rules of the American Arbitration Association then in effect; PROVIDED, HOWEVER, that the Company shall nevertheless be entitled to seek relief under Section 9 in accordance with Section 9(d). In consideration of the parties' agreement to submit to arbitration disputes with regard to this Agreement and with regard to any alleged contract or tort or other claim arising

out of the employment relationship, and in consideration of the anticipated expedition and minimization of expense of this arbitration remedy, each party agrees that the arbitration provisions of this Agreement shall provide it with exclusive remedy, except as provided in the preceding sentence, and each party expressly waives any right it might have to seek redress in any other forum except as provided herein. The parties further agree that the arbitrators acting hereunder shall be empowered to assess no remedy other than the payment of compensatory damages or an order (including

temporary, preliminary and permanent injunctive relief) enforcing the provisions of Section 9. Executive acknowledges that the Company would be irreparably injured by Executive's breach of his obligations under Section 9 and that monetary damages would be inadequate. Subject to the provisions of Section 17(b) hereof, the expenses of the third arbitrator and of a transcript of any arbitration proceeding shall be divided equally between the Company and Executive and each party shall bear the expense of the arbitrator selected by it and of any witnesses it calls. Any decision and award or order of the majority of the arbitrators shall be binding upon the parties hereto and judgment thereon may be entered in any court having jurisdiction thereof.

17. INDEMNITY AND REIMBURSEMENT OF LEGAL EXPENSES.

(a) INDEMNITY. The Company will indemnify the Executive (and his legal representatives or other successors) to the fullest extent permitted (including payment of expenses in advance of final disposition of a proceeding) by the laws of the State of California, as in effect at the time of the subject act or omission, or by the Certificate of Incorporation and By-Laws of the Company, as in effect at such time, or by the terms of any indemnification agreement between the Company and the Executive, whichever affords greatest protection to the Executive, and the Executive shall be entitled to the protection of any insurance policies the Company may elect to maintain generally for the benefit of its directors and officers (and to the extent the Company maintains such an insurance policy or policies, the Executive shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company officer or director), against all costs, charges and expenses whatsoever incurred or sustained by him or his legal representatives at the time such costs, charges and expenses are incurred or sustained, in connection with any action, suit or proceeding to which he (or his legal representatives or other successors) may be made a party by reason of his being or having been a director, officer or employee of the Company or any subsidiary thereof, or his serving or having served any other enterprises as a director, officer or employee at the request of the Company.

(b) LEGAL FEES AND EXPENSES. In the event of a dispute between the Executive and the Company with respect to any of the Executive's rights under this Agreement, the Company shall reimburse the Executive for any and all legal fees and related expenses reasonably incurred by him in connection with enforcing such rights if the Executive is successful in obtaining a money judgment against the Company in a final arbitration proceeding. In addition, the Company shall reimburse Executive for all reasonable legal expenses in connection with the negotiation and review of this Agreement and any amendments thereto.

18. COUNTERPARTS. This Agreement may be executed by either of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this

13th day of August, 1996, effective as of the Effective Date.

GUESS ?, INC.

By:

Title:

Paul Marciano

*10.27. Employment Agreement between the Registrant and Armand Marciano.

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, made as of August 13, 1996, by and between Guess ?, Inc., a Delaware corporation (herein referred to as the "COMPANY"), and Armand Marciano (herein referred to as the "EXECUTIVE").

W I T N E S S E T H:

WHEREAS, the Company intends to make an underwritten initial public offering of its common stock (the "PUBLIC OFFERING"); and

WHEREAS, in connection with the Public Offering, the Company and Executive deem it to be in their respective best interests to enter into an agreement providing for the Company's employment of Executive pursuant to the terms herein stated;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto hereby agree as follows:

1. EMPLOYMENT; POSITION AND DUTIES; EXCLUSIVE SERVICES.

(a) EMPLOYMENT. The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, for the Term provided in Section 2 below and upon the other terms and conditions hereinafter provided.

(b) POSITION AND DUTIES. During the Term, the Executive (i) agrees to serve as the Senior Executive Vice President and Secretary of the Company and to perform such reasonable duties as may be delineated in the By-Laws of the Company and as may be assigned to him from time to time by the Board of Directors of the Company (the "BOARD"), including, without limitation, primary responsibility for all production functions of the Company, (ii) shall report, as Senior Executive Vice President and Secretary of the Company, only to the Board or to the Chairman of the Board and to the Chief Executive Officer of the Company, (iii) shall be given such authority as is appropriate to carry out the duties described above, it being understood that, in his capacities as Senior Executive Vice President and Secretary of the Company, his duties will be consistent in scope, prestige and authority with the duties of Senior Executive Vice President and Secretary of the Company as demonstrated by the Company's existing practices as of the effective date of this Agreement, and (v) agrees to serve, if elected, at no additional compensation (if the other officers or directors (other than non-employee directors) of the Company also serve at no additional compensation) in the position of officer or director of any subsidiary or affiliate of the Company; PROVIDED, HOWEVER, that such position shall be of no less status relative to such subsidiary or affiliate as the position that the Executive holds pursuant to clause (i) of this Section 1(b) is relative to the Company.

(c) EXCLUSIVE SERVICES. During the Term, the Executive agrees to devote substantially all of his business time, attention, skill and efforts exclusively to the business and affairs of the Company and its subsidiaries and affiliates, and shall perform and discharge the duties which may be assigned to him from time to time by the Board or the Chief Executive Officer.

(d) RELOCATION. The Company shall not relocate the Executive's principal place of business outside of the Los Angeles metropolitan area without the written consent of the Executive.

2. TERM OF AGREEMENT. The term of employment under this Agreement shall

initially be the three-year period commencing on the date of the Public Offering (the "EFFECTIVE DATE") and ending on the third anniversary of the Effective Date, and shall be automatically extended without further action by either party for a successive or successive one-year period or periods, unless written notice of either party's intention to terminate this Agreement has been given to the other party at least 90 days prior to the expiration of the Term (including any one-year extension thereof). As used in this Agreement, the "TERM" shall mean the initial three-year term plus any extensions thereof as provided in this Section 2.

3. SALARY AND ANNUAL BONUS. The Executive's cash compensation for all services to be rendered by him in any capacity hereunder shall consist of base salary as provided in Section 3(a) and bonus compensation as provided in Section 3(b).

(a) SALARY. The Executive shall be paid a minimum base salary (the "SALARY") at the rate of $650,000 per annum. The Salary shall be payable in accordance with the customary payroll practices for executives of the Company. The amount of Executive's Salary will be reviewed not less often than annually by the Compensation Committee of the Board (the "COMPENSATION COMMITTEE") and may be increased, but not decreased below such amount, on the basis of such review.

(b) ANNUAL BONUS.

(i) GENERAL TERMS. For each calendar year included in whole or in part within the Term, the Executive shall be eligible to earn an annual cash bonus (a "BONUS") based upon the achievement by the Company and its subsidiaries of performance targets established by the Compensation Committee in accordance with the terms of the Company's Annual Incentive Bonus Plan and any successor plan thereto (collectively, the "BONUS PLAN"). The performance goals on the basis of which the Executive's bonus shall be determined shall be no less favorable to the Executive than the goals used to determine the bonus of any other executive of the Company whose annual bonus is based in whole or in part on corporate performance and who participates in the Bonus Plan, and the Compensation Committee shall establish objective criteria to be used to determine the extent to which such performance goals have been met. The Bonus, if any, payable to the Executive in respect of each calendar year will be paid at the same time that bonuses are paid to other participants in the Bonus Plan.

(ii) AMOUNT OF TARGET BONUS. For each calendar year included in whole or in part within the Term, there shall be a target Bonus (a "TARGET BONUS") for the Executive equal to at least 100% of Executive's Salary, at the annual rate in effect at the beginning of such calendar year (pro rated, if less than an entire year).

(iii) DETERMINATION OF THE BONUS AMOUNT. The amount of the actual Bonus for any calendar year to be paid to the Executive will be determined, in the sole discretion of the Compensation Committee, based upon the performance of the Company and its subsidiaries against the goals established by the Compensation Committee pursuant to the Bonus Plan.

4. STOCK OPTIONS. Commencing as of the Effective Date, Executive shall be eligible for option grants under the Company's 1996 Equity Incentive Plan and any successor plan thereto for the Company's executive officers, in accordance with the terms and conditions thereof.

5. PENSION AND WELFARE BENEFITS. During the Term, the Executive will participate in all pension and welfare plans, programs and benefits that are applicable to executives of the Company. The benefits provided to the Executive during the Term, when taken as a whole, shall be no less favorable than the benefits which, when taken as a whole, are provided to any other executive of the Company; PROVIDED that Executive shall continue to receive life insurance coverage in an amount equal to at least one (1) times his then Salary. During the Term, the Executive shall also be entitled to all additional perquisites

which the Company provides to its executives. Subject to subsection 7(a)(i) hereof, from and after the expiration of the Term or, if earlier, the date of termination of Executive's employment hereunder, Executive shall be entitled, during his lifetime, to full Company-paid health and life insurance for himself and his immediate family, at a level no less favorable than that in effect from time to time for the benefit of the Company's senior executive officers.

6. OTHER BENEFITS.

(a) TRAVEL AND BUSINESS-RELATED EXPENSES. During the Term, the Executive shall be reimbursed in accordance with the policies of the Company for traveling and other expenses incurred in the performance of the business of the Company.

(b) AUTOMOBILE. During the Term, the Executive shall be furnished with an automobile either owned or leased by the Company or an automobile allowance, at the discretion of the Company. The Company shall pay or reimburse the Executive for all reasonable expenses associated with the operation of such automobile, including, without limitation, all reasonable maintenance and insurance expenses.

(c) AIRCRAFT. The Executive shall be provided with reasonable access to any aircraft leased or owned by the Company.

(d) COUNTRY CLUB MEMBERSHIP. During the Term, the Company shall pay the Executive's reasonable membership expenses (including fees, dues and related expenses) at such country club or clubs as approved by the Board.

(e) CONSULTING AGREEMENT. Commencing on the expiration of the Term of this Agreement or, if earlier, the date of termination of Executive's employment hereunder for any reason other than death or for Cause (as defined below), and subject to the provisions of Sections 8 and 9 hereof, the Company and Executive shall enter into a two (2) year consulting agreement pursuant to which Executive shall render consulting services to the Company as Executive and the Company shall agree, for which the Company shall pay Executive a consulting fee at an annual rate equal to 50% of Executive's Salary, at the rate in effect immediately prior to the commencement of the consulting period, payable in accordance with the customary payroll practices for executives of the Company or at such other time or times as Executive and the Company shall agree. It is expressly understood that Executive's reporting obligations pursuant to such consulting agreement shall be limited to the Board and the Chief Executive Officer of the Company, or such other person as Executive and the Company shall agree.

7. TERMINATION OF EMPLOYMENT.

(a) TERMINATION FOR CAUSE, RESIGNATION WITHOUT GOOD REASON.

(i) If the Executive's employment is terminated by the Company for Cause (as defined below) or if the Executive resigns from his employment without Good Reason (as defined below), prior to the expiration of the Term, the Executive shall be entitled to receive: (A) the Salary provided for in Section 3(a) as accrued through the date of such resignation or termination; (B) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; and (C) any unreimbursed expenses. The Executive shall not accrue or otherwise be eligible to receive Salary payments or to participate in any plans, programs or benefits described in Section 5 hereof with respect to periods after the date of such termination or resignation, and shall not be eligible to receive any Bonus in respect of the year of such termination or resignation or any calendar year following the year in which such termination or resignation occurs. Any Bonus in respect of a year prior to the year in which such termination or resignation occurs shall be payable at such time and in such manner as provided for in Section 3(b) hereof.

(ii) Termination for "CAUSE" shall mean termination by action of the Board because of: (A) Executive's willful and continued failure (other than by reason of the incapacity of Executive due to physical or mental illness) substantially to perform his duties hereunder; (B) a felony conviction of the Executive or the perpetration by the Executive of a serious dishonest act against the Company or any of its affiliates or subsidiaries; (C) any willful misconduct by the Executive that is materially injurious to the financial condition or business reputation of the Company or any of its affiliates or subsidiaries; or (D) chronic alcoholism or drug abuse which materially affects Executive's performance hereunder, PROVIDED, HOWEVER, that no event or circumstance shall be considered to constitute Cause within the meaning of this clause (ii) unless the Executive has been given written notice of the events or circumstances constituting Cause and has failed to effect a cure thereof within 60 calendar days following the receipt of such notice.

(iii) Resignation for "GOOD REASON" shall mean the resignation of the Executive because of (A) a material reduction in Executive's responsibilities, duties, authority, status or titles as described in Section 1 above; or (B) failure by the Company to pay or provide Executive when due any compensation, benefits or perquisites to which Executive is entitled pursuant to this Agreement or any other plan, contract or arrangement in which Executive participates or is entitled to participate; PROVIDED, HOWEVER, that no event or circumstance shall be considered to constitute Good Reason within the meaning of this clause (iii) unless the Company has been given written notice of the events or circumstances constituting Good Reason and has failed to effect a cure thereof within 60 calendar days following the receipt of such notice.

(iv) The date of termination of employment by the Company pursuant to this Section 7(a) shall be the date specified in a written notice of termination from the Company to the Executive, which, in the case of a proposed termination to which the 60-day cure period provided for in subsection (ii) above applies shall be no less than 61 days after the delivery of such notice to the Executive. The date of a resignation by the Executive pursuant to this Section 7(a) shall be the date specified in the written notice of resignation from the Executive to the Company, which, in the case of a proposed resignation to which the 60-day cure period provided for in subsection (iii) above applies shall be no less than 61 days after the delivery of such notice to the Company, or, if no date is specified therein, 61 days after receipt by the Company of the written notice of resignation from the Executive.

(b) TERMINATION WITHOUT CAUSE, RESIGNATION FOR GOOD REASON.

(i) If the Executive's employment is terminated by the Company without Cause or if the Executive should resign for Good Reason, prior to the expiration of the Term, he shall be entitled to receive: (A) the Salary provided for in Section 3(a) as accrued through the date of such resignation or termination and continuing for the remainder of the then-effective Term (the "CONTINUATION PERIOD"); (B) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; (C) any unreimbursed expenses and (D) a Bonus for the calendar year in which such termination or resignation occurs equal to the Executive's Target Bonus for such year and a Bonus for each subsequent year included in whole or in part within the Continuation Period equal to the Target Bonus for the calendar year in which such termination or resignation occurs, PROVIDED, HOWEVER, that the amount of such Bonus payable in respect of any partial calendar year at the conclusion of the Continuation Period shall be prorated and shall equal the Executive's Bonus for such year multiplied by a fraction, the numerator of which shall equal the number of days in such calendar year up to and including the last day of the Continuation Period and the denominator of which shall equal the lesser of 365 or the number of days in such final calendar year up to and including the last day of the Term.

During the Continuation Period, (X) Salary payments to the Executive shall be payable in accordance with the payroll practices of the

Company, and (Y) Bonus payments shall be made in respect of each calendar year at the same time that bonuses are paid to participants in the Bonus Plan.

The Executive shall also be entitled to continued participation in the medical, dental and insurance plans and arrangements described in Section 5, on the same terms and conditions as are in effect immediately prior to such termination or resignation, until the earlier to occur of (i) the last day of the Continuation Period and (ii) such time as Executive is entitled to comparable benefits provided by a subsequent employer. Anything herein to the contrary notwithstanding, the Company shall have no obligation to continue to maintain during the Continuation Period any plan or program solely as a result of the provisions of this Agreement. If, during the Continuation Period, Executive is precluded from participating in a plan or program by its terms or applicable law or if the Company for any reason ceases to maintain such plan or program, the Company shall provide Executive with compensation or benefits the aggregate value of which, in the reasonable judgement of the Company, is no less than the aggregate value of the compensation or benefits that Executive would have received under such plan or program had he been eligible to participate therein or had such plan or program continued to be maintained by the Company.

(ii) Except as may be provided under the terms of any applicable grants to the Executive, under any plan or arrangement in which the Executive participates under Section 5 or except as may be otherwise required by applicable law, including, without limitation, the provisions of Section 4980B(f) of the Internal Revenue Code of 1986, as amended (the "CODE"), the Executive shall have no right under this Agreement or any other agreement to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation of employment. Except as otherwise provided in Section 9(d), in the event of a termination or resignation pursuant to this Section 7(b), the Executive shall have no duty of mitigation with respect to amounts payable to him pursuant to this Section 7(b) or other benefits to which he is entitled pursuant hereto; PROVIDED, HOWEVER, that, in the event the Executive breaches any of the provisions of Sections 8 or 9 hereof, the amounts payable to the Executive pursuant to this Section 7(b), or other benefits to which he is entitled pursuant hereto, will be offset or reduced by any compensation, payments or benefits he may receive from a subsequent employer.

(iii) The date of termination of employment by the Company pursuant to this Section 7(b) shall be the date specified in the written notice of termination from the Company to the Executive or, if no date is specified therein, ten business days after receipt by the Executive of the written notice of termination from the Company. The date of a resignation by the Executive pursuant to this Section 7(b) shall be the date specified in the written notice of resignation from the Executive to the Company or, if no date is specified therein, ten business days after receipt by the Company of the written notice of resignation from the Executive.

(c) DEATH OR PERMANENT DISABILITY. If the Executive's employment hereunder terminates by reason of Executive's death or Permanent Disability prior to expiration of the Term, the Executive (or his beneficiary

(or if no such beneficiary is designated, his estate), conservator or guardian, as the case may be) shall be entitled to receive: (i) the Salary provided for in Section 3(a) as accrued through the date of the Executive's death or Permanent Disability; (ii) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which the Executive's death or Permanent Disability occurs; (iii) a Bonus for the calendar year in

which the Executive's death or Permanent Disability occurs equal to a pro rata portion of the Executive's Target Bonus for such year, determined on the basis of the number of days in such year through the date of Executive's death or Permanent Disability; and (iv) any unreimbursed expenses. Bonus payments provided for in this Section 7(c) shall be made at such time and in such manner as is provided in Section 3(b). As used in this Section, the term "BENEFICIARY" includes both the singular and the plural of such term, as may be appropriate. For purposes of this Agreement, "PERMANENT DISABILITY" shall be defined in the same manner as such term or a similar term is defined in any long-term disability policy maintained by the Company for the Executive and in effect on the date of the Executive's termination of employment with the Company, PROVIDED that, in the event that the Company does not maintain a long-term disability policy for the Executive, Permanent Disability shall mean a physical or mental incapacity that substantially prevents him from performing his duties hereunder for a period of 6 consecutive months and that can reasonably be expected to continue indefinitely. Any dispute as to whether or not Executive is disabled within the meaning of the preceding sentence shall be resolved by a physician reasonably satisfactory to Executive and the Company, and the determination of such physician shall be final and binding upon both Executive and the Company.

8. ASSIGNMENT OF INTELLECTUAL PROPERTY RIGHTS.

(a) DEFINITION OF "INVENTIONS". As used herein, the term "INVENTIONS" shall mean all inventions, discoveries, improvements, trade secrets, formulas, techniques, data, programs, systems, specifications, documentations, algorithms, flow charts, logic diagrams, source codes, processes, and other information, including works-in-progress, whether or not subject to patent, trademark, copyright, trade secret, or mask work protection, and whether or not reduced to practice, which are made, created, authored, conceived, or reduced to practice by Executive, either alone or jointly with others, during the period of employment with the Company (including, without limitation, all periods of employment with the Company prior to the Effective Date), whether or not performed on the Company's premises or property, which (A) relate to the actual or anticipated business, activities, research, or investigations of the Company or (B) result from or is suggested by work performed by Executive for the Company (whether or not made or conceived during normal working hours or on the premises of the Company), or (C) which result, to any extent, from use of the Company's premises or property.

(b) WORK FOR HIRE. Executive expressly acknowledges that all copyrightable aspects of the Inventions (as defined above) are to be considered "works made for hire" within the meaning of the Copyright Act of 1976, as amended (the "ACT"), and that the Company is to be the "author" within the meaning of such Act for all purposes. All such copyrightable

works, as well as all copies of such works in whatever medium, fixed or embodied, shall be owned exclusively by the Company as of the date of creation, and Executive hereby expressly disclaims any and all interest in any of such copyrightable works and waives any right of DROIT MORALE or similar rights.

(c) ASSIGNMENT. Executive acknowledges and agrees that all Inventions constitute trade secrets of the Company and shall be the sole property of the Company or any other entity designated by the Company. In the event that title to any or all of the Inventions, or any part or element thereof, may not, by operation of law, vest in the Company, or such Inventions may be found as a matter of law not to be "works made for hire" within the meaning of the Act, Executive hereby conveys and irrevocably assigns to the Company, without further consideration, all his right, title and interest, throughout the universe and in perpetuity, in all Inventions and all copies of them, in whatever medium, fixed or embodied, and in all written or computer records, graphics, diagrams, notes, or reports relating thereto in Executive's

possession or under his control, including, with respect to any of the foregoing, all rights of copyright, patent, trademark, trade secret, mask work, and any and all other proprietary rights therein, the right to modify and create derivative works, the right to invoke the benefit of any priority under any international convention, and all rights to register and renew the same. Anything to the contrary notwithstanding, this subsection (c) shall not require Executive to assign any Invention that would cause this Section 8, or any portion thereof, to be void or unenforceable under Section 2870 of the California Labor Code, and Executive acknowledges receipt of the notification required by Section 2872 of the California Labor Code.

(d) PROPRIETARY NOTICES; NO FILINGS; WAIVER OF MORAL RIGHTS. Executive acknowledges that all Inventions shall, at the sole option of the Company, bear the Company's patent, copyright, trademark, trade secret and mask work notices.

Executive agrees not to file any patent, copyright or trademark applications relating to any Invention except with prior written consent of an authorized representative of the Company (other than Executive).

Executive hereby expressly disclaims any and all interest in any Inventions and waives any right of DROIT MORALE or similar rights, such as rights of integrity or the right to be attributed as the creator of the Invention.

(e) FURTHER ASSURANCES. Executive agrees to assist the Company, or any party designated by the Company, promptly on the Company's request, whether before or after the termination of employment, however such termination may occur, in perfecting, registering, maintaining, and enforcing, in all jurisdictions, the Company's rights in the Inventions by performing all acts and executing all documents and instruments deemed necessary or convenient by the Company, including, by way of illustration and not limitation:

(i) Executing assignments, applications, and other documents and instruments in connection with (A) obtaining patents, copyrights, trademarks, mask works, or other proprietary protections for the Inventions and (B) confirming the assignment to the Company of all right, title and interest in the Inventions or otherwise establishing the Company's exclusive ownership rights therein.

(ii) Cooperating in the prosecution of patent, copyright, trademark and mask work applications, as well as in the enforcement of the Company's rights in the Inventions, including, but not limited to, testifying in court or before any patent, copyright, trademark or mask work registry office or any other administrative body.

Executive will be reimbursed for all out-of-pocket costs reasonably incurred in connection with the foregoing, if such assistance is requested by the Company after the termination of Executive's employment. In addition, to the extent that, after the termination of employment for whatever reason, Executive's technical expertise shall be required in connection with the fulfillment of the aforementioned obligations, the Company will compensate Executive at a reasonable rate for the time actually spent by Executive at the Company's request rendering such assistance.

(f) POWER OF ATTORNEY. Executive hereby irrevocably appoints the Company to be his Attorney-in-Fact to execute any document and to take any action in his name and on his behalf and to generally use his name for the purpose of giving to the Company the full benefit of the assignment provisions set forth above.

(g) DISCLOSURE OF INVENTIONS. Executive will make full and prompt disclosure to the Company of all Inventions subject to assignment to the Company, and all information relating thereto in Executive's possession or under

his control as to possible applications and use thereof.

9. NO COMPETING EMPLOYMENT; NO INTERFERENCE; CONFIDENTIALITY; REMEDIES.

(a) NO COMPETING EMPLOYMENT. For so long as the Executive is employed by the Company or any of its affiliates and subsidiaries and continuing for the two-year period commencing at the expiration of the Term hereof or the earlier termination of Executive's employment for any reason other than death (such period being referred to hereinafter as the "RESTRICTED PERIOD"), the Executive shall not, unless he receives after the Effective Date the prior written consent of the Board, directly or indirectly, whether as owner, consultant, employee, partner, venturer, agent, through stock ownership, investment of capital, lending of money or property, rendering of services, or otherwise, compete with the Company or any of its affiliates or subsidiaries in any business in which any of them is engaged during the Term hereunder or at the time of the termination of the Executive's employment hereunder, including without limitation the design, manufacture and/or distribution of men's or women's sportswear or accessories (such businesses are hereinafter referred to as the "BUSINESS"), or assist, become interested in or be connected with any corporation, firm, partnership, joint venture, sole proprietorship or other entity which so competes with the Business, except that the provisions of this Section 9(a) will not be deemed breached merely because Executive owns equity in (i) Charles David of California, (ii) California Sunshine Active Wear, Inc.; or (iii) Nantucket Industries, Inc. or because Executive "beneficially owns", either individually or as a member of a "group" (as such terms are used in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), not more than five percent (5%) of the voting securities of any one or more companies that file reports pursuant to the Exchange Act. After the expiration of the Term hereof and during the two-year period referenced above, the restrictions imposed by this paragraph shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(b) NO INTERFERENCE. During the Restricted Period, the Executive shall not, for the purpose of competing with the Business, directly or indirectly, whether for his own account or for the account of any other individual, partnership, firm, corporation or other business organization or entity (other than the Company), intentionally solicit, endeavor to entice away from the Company or any of its affiliates or subsidiaries, or otherwise intentionally interfere with the relationship of the Company or any of its affiliates or subsidiaries with any person who is employed by or otherwise engaged to perform services for the Company or any of its affiliates or subsidiaries or influence, or seek to influence, any person or entity who is a customer, client or supplier of the Company or any of its affiliates or subsidiaries to divert their business to any person or entity that competes with the Company or any of its affiliates or subsidiaries, nor shall the Executive participate in the efforts of any individual, partnership, firm, corporation or other business corporation or entity for which he provides services, by which he is employed, or in which he invests, to do so, except that the provisions of this Section 9(b) will not be deemed breached merely

because Executive owns equity in (i) Charles David of California, (ii) California Sunshine Active Wear, Inc.; or (iii) Nantucket Industries, Inc. or because Executive "beneficially owns", either individually or as a member of a "group" (as such terms are used in Rule 13d-3 under the Exchange Act), not more than five percent (5%) of the voting securities of any one or more companies that file reports pursuant to the Exchange Act. After the expiration of the Term hereof and during the two-year period referenced in

subsection 9(a), the restrictions imposed by this paragraph shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(c) CONFIDENTIAL INFORMATION. The Executive recognizes that the services to be performed by him hereunder, and the services performed by him during prior periods of employment with the Company, are special, unique and extraordinary and that, by reason of such employment, he has acquired and will continue to acquire confidential information and trade secrets concerning the operations of the Company and its affiliates and subsidiaries. Accordingly, the Executive agrees that he will not, except with the prior written consent of the Board or as may be required by law, directly or indirectly, disclose during the Term or any time thereafter any secret or confidential information that he has learned by reason of his association with the Company or any of its affiliates or subsidiaries or use any such information to the detriment of the Company or its affiliates or subsidiaries so long as such confidential information or trade secrets have not been disclosed or are not otherwise in the public domain. The term "CONFIDENTIAL INFORMATION" means any information about the Company, its subsidiaries and affiliates, and their respective clients and customers, not previously disclosed to the public or to the trade by the Company's management, including, without limitation, any products, data, formulae, facilities and methods, trade secrets and other intellectual property, systems, records (including computer records), procedures, manuals, confidential reports, product price lists, client and customer lists, financial information (including the revenues, costs or profits associated with any of the Company's products), business plans, prospects or opportunities.

(d) REMEDIES; SURVIVAL OF AGREEMENT. In the event that the Executive materially breaches any of the covenants set forth in this Section 9 and fails to cure such breach to the reasonable satisfaction of the Company within 10 business days after receipt of written notice thereof to the Executive, any obligation of the Company to make any payment to the Executive pursuant to this Agreement, including without limitation any payments pursuant to Section 7(b) (other than payments of Salary or Bonus earned prior to the date of such breach and unreimbursed expenses), shall be cancelled. In addition, the Executive acknowledges that a breach of any of the covenants contained in this Section 9 may result in material irreparable injury to the Company or its affiliates or subsidiaries for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled, in addition to any other rights or remedies it may have, to seek an injunction enjoining or restraining the Executive from

any violation or threatened violation of this Section 9. The Executive's agreement as set forth in this Section shall survive the termination of the Executive's employment under this Agreement.

10. SOURCE OF PAYMENTS. All payments provided under this Agreement, other than payments made pursuant to a benefit plan which may provide otherwise, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. The Executive shall have no right, title, or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and the Executive or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

11. TAX WITHHOLDING. Payments to the Executive of all compensation

contemplated under this Agreement shall be subject to all applicable legal requirements with respect to the withholding of taxes.

12. NONASSIGNABILITY; BINDING AGREEMENT. Neither this Agreement nor any right, duty, obligation or interest hereunder shall be assignable or delegable by the Executive without the Company's prior written consent; PROVIDED, HOWEVER, that nothing in this Section shall preclude the Executive from designating any of his beneficiaries to receive any benefits payable hereunder upon his death or disability, or his executors, administrators, or other legal representatives, from assigning any rights hereunder to the person or persons entitled thereto. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto, any successors to or assigns of the Company and the Executive's heirs and the personal representatives of the Executive's estate.

13. AMENDMENT; WAIVER. This Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by the parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

14. NOTICES. Any notice hereunder by either party to the other shall be given in writing by personal delivery, telex, telecopy or certified mail, return receipt requested, to the applicable address set forth below:

(i) To the Company: Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Attention: General Counsel
Telecopier: (213) 765-3100

(ii) To the Executive: Mr. Armand Marciano
Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Telecopier: (213) 744-7840

(or such other address as may from time to time be designated by notice by any party hereto for such purpose). Notice shall be deemed given, if by personal delivery, on the date of such delivery or, if by telex or telecopy, on the business day following receipt of answerback or telecopy confirmation or, if by certified mail, on the date shown on the applicable return receipt.

15. CALIFORNIA LAW. This Agreement is to be governed by and interpreted in accordance with the laws of the State of California, without giving effect to the choice-of-law provisions thereof. If, under such law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto or, if that is not possible, to be omitted from this Agreement, and the invalidity of any such portion shall not affect the force, effect and validity of the remaining portion hereof.

16. ARBITRATION. Any controversy or claim arising out of or relating to this Agreement, including, but not limited to, any claim relating to its validity, interpretation, enforceability or breach, or any other claim or controversy arising out of the employment relationship or the commencement or termination of that relationship, including, but not limited to, claims for breach of covenant, breach of implied covenant or intentional infliction of emotional distress, which are not settled by agreement between the parties, shall be settled by arbitration in Los Angeles, California before a board of three arbitrators, one to be selected by the Company, one by Executive and the other by the two persons so selected, all in accordance with the labor arbitration rules of the American Arbitration Association then in effect; PROVIDED, HOWEVER, that the Company shall nevertheless be entitled to seek

relief under Section 9 in accordance with Section 9(d). In consideration of the parties' agreement to submit to arbitration disputes with regard to this Agreement and with regard to any alleged contract or tort or other claim arising out of the employment relationship, and in consideration of the anticipated expedition and minimization of expense of this arbitration remedy, each party agrees that the arbitration provisions of this Agreement shall provide it with exclusive remedy, except as provided in the preceding sentence, and each party expressly waives any right it might have to seek redress in any other forum except as provided herein. The parties further

agree that the arbitrators acting hereunder shall be empowered to assess no remedy other than the payment of compensatory damages or an order (including temporary, preliminary and permanent injunctive relief) enforcing the provisions of Section 9. Executive acknowledges that the Company would be irreparably injured by Executive's breach of his obligations under Section 9 and that monetary damages would be inadequate. Subject to the provisions of Section 17(b) hereof, the expenses of the third arbitrator and of a transcript of any arbitration proceeding shall be divided equally between the Company and Executive and each party shall bear the expense of the arbitrator selected by it and of any witnesses it calls. Any decision and award or order of the majority of the arbitrators shall be binding upon the parties hereto and judgment thereon may be entered in any court having jurisdiction thereof.

17. INDEMNITY AND REIMBURSEMENT OF LEGAL EXPENSES.

(a) INDEMNITY. The Company will indemnify the Executive (and his legal representatives or other successors) to the fullest extent permitted (including payment of expenses in advance of final disposition of a proceeding) by the laws of the State of California, as in effect at the time of the subject act or omission, or by the Certificate of Incorporation and By-Laws of the Company, as in effect at such time, or by the terms of any indemnification agreement between the Company and the Executive, whichever affords greatest protection to the Executive, and the Executive shall be entitled to the protection of any insurance policies the Company may elect to maintain generally for the benefit of its directors and officers (and to the extent the Company maintains such an insurance policy or policies, the Executive shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company officer or director), against all costs, charges and expenses whatsoever incurred or sustained by him or his legal representatives at the time such costs, charges and expenses are incurred or sustained, in connection with any action, suit or proceeding to which he (or his legal representatives or other successors) may be made a party by reason of his being or having been a director, officer or employee of the Company or any subsidiary thereof, or his serving or having served any other enterprises as a director, officer or employee at the request of the Company.

(b) LEGAL FEES AND EXPENSES. In the event of a dispute between the Executive and the Company with respect to any of the Executive's rights under this Agreement, the Company shall reimburse the Executive for any and all legal fees and related expenses reasonably incurred by him in connection with enforcing such rights if the Executive is successful in obtaining a money judgment against the Company in a final arbitration proceeding. In addition, the Company shall reimburse Executive for all reasonable legal expenses in connection with the negotiation and review of this Agreement and any amendments thereto.

18. COUNTERPARTS. This Agreement may be executed by either of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 13th day of August, 1996, effective as of the Effective Date.

GUESS ?, INC.

By:

Title:

Armand Marciano

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*10.28. Registration Rights Agreement among the Registrant and certain stockholders of the Registrant.

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REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT is made and entered into as of August 1, 1996, between Guess ?, Inc., a Delaware corporation (the "Company"), and the stockholders of the Company indicated on the signature pages hereto (being referred to herein from time to time, collectively, as the "Trusts", and each individually, as a "Trust").

R E C I T A L S

WHEREAS, on the date hereof, each Trust is the owner of the respective number of shares of the Company's Common Stock, par value $.01 per share (the "Common Stock"), set forth opposite the name of such Trust on the signature pages hereto;

WHEREAS, the Trusts have approved various actions in connection with a proposed initial public offering of up to 10,580,000 shares of the Common Stock, including the approval of a Restated Certificate of Incorporation;

WHEREAS, the parties hereto desire to provide for the registration under the Securities Act of 1933, as amended (the "Securities Act"), of the shares of Common Stock owned by the Trusts as of the date hereof, on the terms and conditions set forth herein; and

WHEREAS, the Board of Directors of the Company has authorized the officers of the Company to execute and deliver this Agreement in the name of and on behalf of the Company.

NOW, THEREFORE, in consideration of the mutual covenants, promises, representations, warranties and conditions set forth in this Agreement, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions.

For purposes of this Agreement, in addition to the definitions set forth above and elsewhere herein, the following terms shall have the following respective meanings:

"Affiliate" of a Holder shall mean a person who controls, is controlled by or is under common control with such Holder or, the spouse or children (or a trust exclusively for the benefit of a spouse and/or children) of such Holder or, in the case of a Holder which is a trust, the trustee and the beneficiaries of such trust.

"Clearance Notice" shall have the meaning specified in the last paragraph of Section 5.

"Commission" shall mean the United States Securities and Exchange Commission and any successor agency thereto.

"Common Stock" shall have the meaning specified in the first Recital.

"Company" shall have the meaning specified in the Preamble.

"Demand Notice" shall have the meaning specified in Section 2(a).

"Demand Registration" shall have the meaning specified in Section 2(a).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Holder" shall mean a Trust or any transferee or assignee to whom the rights under this Agreement are assigned in accordance with the provisions of Section 10 hereof.

"Maximum Offering Size" shall have the meaning specified in Section 3(b)(ii).

"Occurrence Notice" shall have the meaning specified in the last paragraph of Section 5.

"Person" shall mean an individual, partnership, corporation, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or agency or political subdivision thereof, or other entity.

"Registrable Stock" shall mean: (i) the Common Stock beneficially owned by the Trusts on the date hereof; (ii) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right, option or other convertible security which is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the Common Stock owned by the Trusts on the date hereof and (iii) any Common Stock issued by way of a stock split of the Common Stock referred to in clauses (i) or (ii) above. For purposes of this Agreement, any Registrable Stock shall cease to be Registrable Stock when (x) a registration statement covering such Registrable Stock has been declared effective and such Registrable Stock has been disposed of pursuant to such effective registration statement or (y) such Registrable Stock is sold or distributed pursuant to Rule 144 (or any similar or successor provision (but not Rule 144A)) under the Securities Act.

"Requesting Holders" shall have the meaning specified in Section 2(a).

"Securities Act" shall have the meaning specified in the third Recital.

"Shelf Registration" shall have the meaning specified in Section 2(b)(i).

"Shelf Registration Statement" shall have the meaning specified in Section 2(b)(ii).

"Trust" or "Trusts"shall have the meaning specified in the Preamble.

"Underwritten Offering" or "Underwritten Registration" shall mean a registration in which securities of the Company are sold to an underwriter or underwriters for reoffering to the public.

2. Demand Registration.

(a) At any time commencing 180 days after the date of this Agreement, the Holders of at least [10%] of the then outstanding Registrable Stock (the "Requesting Holders") may request, in a written notice to the

Company (a "Demand Notice"), that the Company file a registration statement under the Securities Act covering the registration of at least [10%] of the Registrable Stock then outstanding in the manner specified in such notice (a "Demand Registration"). Promptly following receipt of a Demand Notice (such request to state the number of shares of Registrable Stock to be so included and the intended method of distribution), the Company shall (x) within twenty (20) days notify all other Holders of such request in writing and (y) use its best efforts to cause to be registered under the Securities Act all Registrable Stock that the Requesting Holders and such other Holders have, within ten (10) days after the Company has given such notice, requested be registered in accordance with the manner of distribution specified in the Demand Notice by the Requesting Holders.

(b) (i) If any Demand Registration is requested to be a "shelf" registration by the Requesting Holders of the Registrable Stock to be included in such Demand Registration, the Company shall cause to be filed pursuant to Rule 415 under the Securities Act a shelf Registration Statement (a "Shelf Registration Statement") with respect to the number of shares of Registrable Stock requested to be so registered (a "Shelf Registration"). The Company shall keep such Shelf Registration Statement continuously effective for a period of at least one year following the date on which the Commission declares such Shelf Registration Statement effective under the Securities Act (subject to extension pursuant to Section 4(a) and the last paragraph of Section 5 hereof), or such shorter period ending when all of the shares of Registrable Stock covered by such Shelf Registration Statement have been sold.

(ii) Upon the occurrence of any event that would cause the Shelf Registration Statement (A) to contain a material misstatement or omission or (B) to be not effective and usable for resale of Registrable Securities during the period that such Shelf Registration Statement is

required to be effective and usable, the Company shall promptly file an amendment to the Shelf Registration Statement, in the case of clause (A), correcting any such misstatement or omission and, in the case of either clause (A) or (B), use its best efforts to cause such amendment to be declared effective and such Shelf Registration Statement to become usable as soon as practicable thereafter.

(c) If the Requesting Holders intend to have the Registrable Stock distributed by means of an Underwritten Offering, the Company shall include such information in the written notice referred to in clause (x) of Section 2(a) above. In such event, the right of any Holder to include its Registrable Stock in such registration shall be conditioned upon such Holder's participation in such Underwritten Offering and the inclusion of such Holder's Registrable Stock in the Underwritten Offering (unless otherwise mutually agreed by a majority in interest of the Requesting Holders and such Holder) to the extent provided below. All Holders proposing to distribute Registrable Stock through such Underwritten Offering shall enter into an underwriting agreement in customary form with the underwriter or underwriters. Such underwriter or underwriters shall be selected by a majority in interest of the Requesting Holders and shall be approved by the Company, which approval shall not be unreasonably withheld; PROVIDED, that (i) all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters shall also be made to and for the benefit of such Holders of Registrable Stock, (ii) any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement shall be conditions precedent to the obligations of such Holders of Registrable Stock, and (iii) no Holder shall be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such Holder, the Registrable Stock of such Holder and such Holder's intended method of distribution and any other representations

required by law or reasonably required by the underwriter. If any Holder of Registrable Stock disapproves of the terms of the underwriting, such Holder may elect to withdraw all its Registrable Stock by written notice to the Company, the managing underwriter and the Initiating Holders. The securities so withdrawn shall also be withdrawn from registration and shall remain Registrable Stock.

(d) Notwithstanding any provision of this Agreement to the contrary,

(i) the Company shall not be required to effect a Demand Registration during the period starting 30 days prior to the estimated date of filing by the Company of, and ending on a date 180 days following the effective date of, a registration statement pertaining to a public offering of equity securities of the Company;

(ii) the Company shall not be required to effect more than one Demand Registration in any six-month period;

(iii) if, in the written opinion of the managing underwriter of any Underwritten Offering, the total amount of Registrable Stock to be registered in connection with a Demand Registration will exceed the

maximum amount of the Company's securities that can be marketed (1) at a price reasonably related to the then current market value of such securities or (2) without otherwise materially and adversely affecting the entire offering, then the Company shall include in such Demand Registration the number of shares of Registrable Stock that in the opinion of such managing underwriter can be sold within a price range acceptable to the Holders of a majority of the Registrable Stock requested to be included in such Demand Registration by the Requesting Holders pursuant to Section 2(a), allocated pro rata among the Requesting Holders on the basis of the relative number of shares of Registrable Stock each such Holder has requested to be included in such registration; and

(iv) if the Company shall furnish to the Requesting Holders a certificate signed by the president of the Company stating that in the good faith opinion of a majority of the Board of Directors of the Company such registration would interfere with any material transaction then being pursued by the Company, then the Company's obligation to use its best efforts to file a registration statement shall be deferred for a period not to exceed 60 days.

(e) The Company shall not be obligated to effect more than three Demand Registrations; PROVIDED, HOWEVER, that a Demand Registration shall not be deemed to have been effected for purposes of this Section 2(e) unless: (i) it has been declared effective by the Commission; (ii) it has remained effective for the period set forth in Section 5(a) and (iii) the offering of Registrable Stock pursuant to such registration is not subject to any stop order, injunction or other order or requirement of the Commission (other than any such stop order, injunction or other requirement of the Commission prompted by any act or omission of a Requesting Holder).

3. Incidental Registration.

(a) Subject to Section 8 and the other terms and conditions set forth in this Section 3, if at any time the Company determines that it shall file a registration statement under the Securities Act (other than a registration statement on Form S-4 or S-8 or filed in connection with an exchange offer or an offering of securities solely to the Company's existing stockholders) on any form that would also permit the registration of the Registrable Stock and such filing is to be on the Company's behalf and/or on behalf of selling holders (including Requesting Holders) of its securities

for the sale of shares of Common Stock, the Company shall each such time promptly give each Holder written notice of such determination setting forth the date on which the Company proposes to file such registration statement, which date shall be no earlier than 30 days from the date of such notice, and advising such Holders of their right to have Registrable Stock included in such registration. Upon the written request of any Holder received by the Company no later than 30 days after the date of the Company's notice, the Company shall use its best efforts to cause to be registered under the Securities Act all of the Registrable Stock that each such Holder has so requested to be registered.

(b) The Company's obligation to include Registrable Stock in a registration statement pursuant to Section 3(a) above is subject to the following limitations, conditions and qualifications:

(i) If, at any time after giving written notice of its determination to register its securities and prior to the effective date of any registration statement filed in connection with such registration, the Company shall determine for any reason not to register such securities, the Company may, at its election, give written notice of such determination to the Holders and thereupon the Company shall be relieved of its obligation to use any efforts to register any Registrable Stock in connection with such aborted registration; provided, that the provisions of this clause (i) shall not affect the obligations of the Company with respect to a Demand Registration.

(ii) If, in the written opinion of the managing underwriter (or, in the case of a non-Underwritten Offering, in the opinion of a majority of the directors of the Company), the total amount of such securities to be so registered, including such Registrable Stock, will exceed the maximum amount (the "Maximum Offering Size") of the Company's securities that can be marketed (1) at a price reasonably related to the then current market value of such securities or (2) without otherwise materially and adversely affecting the entire offering, then the Company shall include in such registration, in the following priority up to the Maximum Offering Size: (x) first, all of the securities proposed to be registered for offer and sale by the Company, (y) second, all of the Registrable Stock requested to be included in such registration by the Holders pursuant to this Section, allocated, if necessary for such offering not to exceed the Maximum Offering Size, pro rata among the Holders requesting registration of such Registrable Stock on the basis of the relative number of shares of Registrable Stock each such Holder has requested to be included in such registration, and (z) third, any other securities of the Company requested to be registered by any other parties.

4. Holdback Agreements.

(a) Each Holder of Registrable Stock agrees, if so required (pursuant to a timely notice) by the Company or the managing underwriter in any Underwritten Offering, not to effect any public sale of distribution of securities of the Company of the same class as the securities included in such Underwritten Registration, or any securities convertible into or exchangeable to exercisable therefor, during the 30 days prior to and the 180 days after any Underwritten Registration pursuant to Section 2 or Section 3 has become effective, except as part of such Underwritten Registration. Notwithstanding the foregoing sentence, each Holder of Registrable Stock subject to the foregoing sentence shall be entitled to sell securities during the foregoing period in a private sale. If a request is made pursuant to this Section 4(a), then the time period during which a Shelf Registration is required to remain continuously effective for such Holders of Registrable Stock pursuant to the terms of this Agreement shall be extended 210 days.

None of the foregoing provisions of this Section 4(a) shall apply to any Holder of Registrable Stock if such Holder is prevented by applicable statute or regulation from entering into any such agreement; PROVIDED, that any such Holder shall undertake not to effect any public sale or distribution of the Registrable Stock unless such Holder has provided 45 days' prior written notice of such sale or distribution to the underwriter or underwriters.

(b) The Company agrees (i) if so required by the managing underwriter of any Underwritten Offering, not to effect any public sale or distribution of securities of the same class as the securities included in such Underwritten Registration or securities convertible into or exchangeable or exercisable therefor during the 30 days prior to and the 90 days after any Underwritten Registration pursuant to Section 2 or Section 3 has become effective, except as part of such Underwritten Registration and except pursuant to registrations on Form S-4 or S-8 or any successor form to such Forms, and (ii) to use its best efforts to cause each holder of equity securities included in any Underwritten Registration or any securities convertible into or exchangeable or exercisable therefor, in each case purchased from the Company at any time after the date of this Agreement (other than in a public offering) to agree not to effect any public sale or distribution of or otherwise dispose of shares of equity securities (or such other securities) during such period except as part of such Underwritten Registration.

5. Registration Procedures. Whenever required under Section 2 or Section 3 of this Agreement to use its best efforts to effect the registration of any Registrable Stock, the Company shall, as expeditiously as possible:

(a) prepare and file with the Commission a registration statement with respect to such Registrable Stock and use its best efforts to cause such registration statement to become and remain effective for the period of the distribution contemplated thereby;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Stock covered by such registration statement;

(c) furnish to each Holder such numbers of copies of the registration statement and each prospectus included therein (including each preliminary prospectus and any amendments or supplements thereto) in conformity with the requirements of the Securities Act and such other documents and information as they may reasonably request;

(d) use its best efforts to register or qualify the Registrable Stock covered by such registration statement under the securities or blue sky laws of such jurisdictions as shall be reasonably appropriate for the distribution of the Registrable Stock covered by the registration statement; PROVIDED, HOWEVER, that the Company shall not be

required in connection therewith or as a condition thereto to qualify to do business in or to file a general consent to service of process in any jurisdiction wherein it would not but for the requirements of this paragraph (d) be obligated to do so;

(e) promptly notify (but in any event within five business days) the selling Holders of Registrable Stock, their counsel and the managing

underwriters, if any, and confirm such notice in writing, (i) when a prospectus or any prospectus supplement has been filed and, with respect to a registration statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission or any other Federal or state governmental authority for amendments or supplements to a registration statement or related prospectus or for additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of a registration statement or of any order preventing or suspending the use of any prospectus or the initiation of any proceedings by an Person for that purpose, (iv) if at any time the representations and warranties of the Company contained in any agreement (including any underwriting agreement) contemplated by Section 6(l) below ease to be true and correct, (v) of the receipt by the Company of any notification with respect to the suspension of the qualification of exempting from qualification of a registration statement or any of the Registrable Stock for offer or sale under the securities or blue sky laws of any jurisdiction, or the contemplation, initiation or threatening of any proceeding for such purpose, (vi) of the happening of any event that makes any statement made in such registration statement or related prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in such registration statement, prospectus or documents so that it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made (in the case of the prospectus only) not misleading, and (vii) of the Company's reasonable determination that a post-effective amendment to a registration statement would be appropriate;

(f) furnish, at the request of any Holder requesting registration of Registrable Stock pursuant to Section 2, if the method of distribution is by means of an Underwritten Offering, on the date that the shares of Registrable Stock are delivered to the underwriters for sale pursuant to such registration, or if such Registrable Stock is not being sold through underwriters, on the date that the registration statement with respect to such shares of Registrable Stock becomes effective: (i) a signed opinion, dated such date, of the independent legal counsel representing the Company for the purpose of such registration, addressed to the underwriters, if any, and if such Registrable Stock is not being sold through underwriters, then to the Holders making such request, as to such matters as such underwriters or the Holders holding a majority of the Registrable Stock included in such registration, as the case may be, may reasonably request and as would be customary in such a transaction and (ii) letters dated such date and the

date the offering is priced from the independent certified public accountants of the Company, addressed to the underwriters, if any, and if such Registrable Stock is not being sold through underwriters, then to the Holders making such request (1) stating that they are independent certified public accountants within the meaning of the Securities Act and that, in the opinion of such accountants, the financial statements and other financial data of the Company included in the registration statement or the prospectus, or any amendment or supplement thereto, comply as to form in all material respects with the applicable accounting requirements of the Securities Act and (2) covering such other financial matters (including information as to the period ending not more than five business days prior to the date of such letters) as such underwriters or the Holders holding a majority of the Registrable Stock included in such registration, as the case may be, may reasonably request and as would be customary in such a transaction;

(g) enter into customary agreements (including, if the method of distribution is by means of an Underwritten Offering an underwriting

agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Stock to be so included in the registration statement;

(h) As promptly as practicable upon the occurrence of any event contemplated by paragraph (e)(vi) above, prepare a supplement or post-effective amendment to the registration statement or a supplement to the related prospectus or any documents incorporated or deemed to be incorporated therein by reference, or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Stock being sold thereunder, such prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances;

(i) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission; and

(j) use its best efforts to list the Registrable Stock covered by such registration statement with any securities exchange on which the Common Stock of the Company is then listed.

For purposes of Sections 5(a) and 5(b), the period of distribution of Registrable Stock in a firm commitment Underwritten Offering shall be deemed to extend until each underwriter has completed the distribution of all securities purchased by it, and the period of distribution of Registrable Stock in any other registration shall be deemed to extend until the earlier of the sale of all Registrable Stock covered thereby and three months after the effective date thereof.

Each Holder of Registrable Stock agrees that, upon receipt of written notice from the Company of the happening of any event of the kind described in Section 5(e)(ii), 5(e)(iii), 5(e)(v), 5(e)(vi) or 5(e)(vii) (an

"Occurrence Notice"), such Holder will forthwith discontinue disposition of such Registrable Stock covered by such registration statement or prospectus until such Holder's receipt of the copies of the supplemented or amended registration statement or prospectus contemplated by Section 5(h), or until it receives notice in writing (a "Clearance Notice") from the Company that the use of the applicable prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such prospectus, and, if so directed by the Company, such Holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the prospectus covering such Registrable Stock current at the time of receipt of such notice. If the Company shall deliver an Occurrence Notice in connection with any registered sale of Registered Stock, the time periods mentioned in Section 2 hereof shall be extended by the number of days during such periods from and including the date of delivery of such Occurrence Notice to and including the date when each seller of Registrable Stock covered by such registration statement receives (x) the copies of the supplemented or amended prospectus contemplated by Section 5(h) hereof or (y) a Clearance Notice, as the case may be.

6. Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement that the Holders shall furnish to the Company such information regarding themselves, the Registrable Stock held by them, and the intended method of disposition of such securities as the Company shall reasonably request and as shall be required in connection with the action to be taken by the Company.

7. Expenses of Registration. All expenses incurred in connection with each registration pursuant to Section 2 and Section 3 of this Agreement,

excluding underwriters' discounts and commissions, but including without limitation all registration, filing and qualification fees, word processing, duplicating, printers' and accounting fees (including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance), fees of the National Association of Securities Dealers, Inc. or listing fees, messenger and delivery expenses, all fees and expenses of complying with state securities or blue sky laws, fees and disbursements of counsel for the Company, and the fees and disbursements of one counsel for the selling Holders (which counsel shall be selected by the Holders holding a majority in interest of the Registrable Stock being registered), shall be paid by the Company; PROVIDED, HOWEVER, that if a registration request pursuant to Section 2 of this Agreement is subsequently withdrawn at the request of the Holders of a number of shares of Registrable Stock such that the remaining Holders requesting registration would not have been able to request registration under the provisions of Section 2 of this Agreement, such withdrawing Holders shall bear such expenses unless such withdrawing Holders shall forfeit their right to one Demand Registration pursuant to Section 2 of this Agreement. The Holders shall bear and pay the underwriting commissions and discounts applicable to securities offered for their account in connection with any registrations, filings and qualifications made pursuant to this Agreement.

8. Underwriting Requirements. In connection with any Underwritten Offering, the Company shall not be required under Section 3 to include shares of Registrable Stock in such Underwritten Offering unless the Holders of such Registrable Stock accept the terms of the underwriting of such offering that have been reasonably agreed upon between the Company and the underwriters selected by the Company.

9. Rule 144 and Rule 144A Information. With a view to making available the benefits of certain rules and regulations of the Commission which may at any time permit the sale of the Registrable Stock to the public without registration,

(a) at all times after ninety (90) days after any registration statement covering a public offering of securities of the Company under the Securities Act shall have become effective, the Company agrees to:

(i) make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act;

(ii) use its best efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(iii) furnish to each Holder of Registrable Stock promptly upon request a written statement by the Company as to its compliance with the reporting requirements of such Rule 144 and of the Securities Act and the Exchange Act, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed by the Company as such Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing such Holder to sell any Registrable Stock without registration; and

(b) at all times during which the Company is neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, it will provide, upon the written request of any Holder of Registrable Stock in written form (as promptly as practicable and in any event within 15 business days), to any prospective buyer of such stock designated by such Holder, all information required by Rule 144A(d)(4)(i) of the General Regulations promulgated by the Commission under the Securities Act.

10. Indemnification. In the event any Registrable Stock is included in a registration statement under this Agreement:

(a) The Company shall indemnify and hold harmless each Holder and its directors and officers, each person who participates in the offering of such Registrable Stock, including underwriters (as defined in the Securities Act), and each person, if any, who controls such Holder or participating person within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, as incurred, to which they may become subject under the Securities Act or

otherwise, insofar as such losses, claims, damages or liabilities (or proceedings in respect thereof) arise out of or are based on any untrue or alleged untrue statement of any material fact contained in such registration statement on the effective date thereof (including any prospectus filed under Rule 424 under the Securities Act or any amendments or supplements thereto) or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse each such Holder and its directors and officers, such participating person or controlling person for any legal or other expenses as reasonably incurred by them (but not in excess of expenses incurred in respect of one counsel for all of them unless there is an actual conflict of interest between any indemnified parties, which indemnified parties may be represented by separate counsel) in connection with investigating or defending any such loss, claim, damage, liability or action; PROVIDED, HOWEVER, that the indemnity agreement contained in this Section 10(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company; PROVIDED, FURTHER, that the Company shall not be liable to any Holder or its directors and officers, participating person or controlling person in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, its directors and officers, participating person or controlling person. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of any such Holder, its directors and officers, participating person or controlling person, and shall survive the transfer of such securities by such Holder.

(b) Each Holder requesting or joining in a registration shall, severally and not jointly, indemnify and hold harmless the Company, each of its directors and officers, each person, if any, who controls the Company within the meaning of the Securities Act, and any underwriter against any losses, claims, damages or liabilities, joint or several, to which the Company or any such director, officer, controlling person or underwriter may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or proceedings in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in such registration statement on the effective date thereof (including any prospectus filed under Rule 424 under the Securities Act or any amendments or supplements thereto) or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with information furnished by or on behalf of such Holder expressly for use in connection with such registration; and each such Holder shall reimburse any legal

or other expenses reasonably incurred by the Company or any such director, officer, controlling person or underwriter (but not in excess of expenses incurred in respect of one counsel for all of them unless there is an actual conflict of interest between any indemnified parties, which indemnified parties may be represented by separate counsel) in connection with investigating or defending any such loss, claim, damage, liability or action; PROVIDED, HOWEVER, that the indemnity agreement contained in this Section 10(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of such Holder, and PROVIDED, FURTHER, that the liability of each Holder hereunder shall be limited to the proportion of any such loss, claim, damage, liability or expense which is equal to the proportion that the net proceeds from the sale of the Registrable Stock sold by such Holder under such registration statement bears to the total net proceeds from the sale of all securities sold thereunder, but not in any event to exceed the net proceeds received by such Holder from the sale of Registrable Stock covered by such registration statement.

(c) Promptly after receipt by an indemnified party under this Section 10 of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against any indemnifying party under this Section 10, notify the indemnifying party in writing of the commencement thereof and the indemnifying party shall have the right to participate in and assume the defense thereof with counsel selected by the indemnifying party and reasonably satisfactory to the indemnified party; PROVIDED, HOWEVER, that an indemnified party shall have the right to retain its own counsel, with all fees and expenses thereof to be paid by such indemnified party, and to be apprised of all progress in any proceeding the defense of which has been assumed by the indemnifying party. The failure to notify an indemnifying party promptly of the commencement of any such action, if and to the extent prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section, but the omission so to notify the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section.

(d) To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified party in connection with the actions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such indemnifying party or indemnified party, and the

parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damages or liabilities referred to above shall be deemed to include any legal or

other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 10(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

11. Transfer of Registration Rights. The registration rights of any Holder under this Agreement with respect to any Registrable Stock may be transferred to (a) any transferee of such Registrable Stock who at any time acquires at least twenty per cent (20%) of such Holder's shares of Registrable Stock (adjusted for stock splits and stock consolidations after the effective date of this Agreement) or (b) any Affiliate of such Holder; PROVIDED, HOWEVER, that (i) the transferring Holder shall give the Company written notice at or prior to the time of such transfer stating the name and address of the transferee and identifying the securities with respect to which the rights under this Agreement are being transferred; (ii) such transferee shall agree in writing, in form and substance reasonably satisfactory to the Company, to be bound as a Holder by the provisions of this Agreement; and (iii) immediately following such transfer the further disposition of such securities by such transferee is restricted under the Securities Act. Except as set forth in this Section 11, no transfer of Registrable Stock shall cause such Registrable Stock to lose such status.

12. Securities Held by the Company or its Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Stock is required hereunder, Registrable Stock held by the Company or its affiliates (as such term is defined in Rule 405 under the Securities Act) (other than the Trusts) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

13. Successors and Assigns. Subject to Section 11, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto. Except as expressly provided in this Agreement, nothing in this Agreement, express or implied, is intended to confer upon any person other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

15. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

16. Titles. The titles of the Sections of this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

17. Notices. Any notice required or permitted under this Agreement shall be in writing and shall be delivered in person or mailed by certified or registered mail, return receipt requested, or faxed to (a) the Company at the address set forth below its signature hereof, (b) to each Holder at the address set forth below its signature hereof or (c) to a Holder at the address therefor as set forth in the Company's records or, in any such case, at such other address or addresses as shall have been furnished in writing by such party to the others. The giving of any notice required

hereunder may be waived in writing by the parties hereto. Every notice or other communication hereunder shall be deemed to have been duly given or served on the date on which personally delivered, or on the date actually received, if sent by mail or fax, with receipt acknowledged.

18. Amendments and Waivers. Any provision of this Agreement may be amended and the observance of any provision of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and each Holder of Registrable Stock. Any amendment or waiver effected in accordance with this Section 17 shall be binding upon each Holder of Registrable Securities, each future Holder and the Company.

19. Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provisions shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provisions were so excluded and shall be enforceable in accordance with its terms.

20. Entire Agreement. All prior agreements of the parties concerning the subject matter of this Agreement are expressly superseded by this Agreement. This Agreement contains the entire Agreement of the parties concerning the subject matter hereof. Any oral representations or modifications of this Agreement shall be of no effect.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

GUESS ?, INC.

By: /s/ ROGER A. WILLIAMS
Name: Roger A. Williams

Title: Executive Vice President and
Chief Financial Officer

1444 South Alameda Street
Los Angeles, California 90021

14,480,153 shares of Common Stock

MAURICE MARCIANO TRUST
(1995 RESTATEMENT)

By: /s/ MAURICE MARCIANO
Maurice Marciano
Trustee

c/o Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021

11,633,149 shares of Common Stock

PAUL MARCIANO TRUST
DATED FEBRUARY 20, 1986

By: /s/ PAUL MARCIANO
Paul Marciano
Trustee

c/o Guess ?, Inc.

1444 South Alameda Street
Los Angeles, California 90021

5,913,437 shares of Common Stock	ARMAND MARCIANO TRUST DATED FEBRUARY 20, 1986 By: /s/ ARMAND MARCIANO Armand Marciano Trustee c/o Guess ?, Inc. 1444 South Alameda Street Los Angeles, California 90021
1,728,276 shares of Common Stock	MAURICE MARCIANO 1996 GRANTOR RETAINED ANNUITY TRUST By: /s/ PAUL MARCIANO Paul Marciano Co-Trustee By: /s/ GARY W. HAMPAR Gary W. Hampar Co-Trustee c/o Guess ?, Inc. 1444 South Alameda Street Los Angeles, California 90021
1,212,149 shares of Common Stock	PAUL MARCIANO 1996 GRANTOR RETAINED ANNUITY TRUST By: /s/ MAURICE MARCIANO Maurice Marciano Co-Trustee By: /s/ JOSEPH H. SUGERMAN Joseph H. Sugerman Co-Trustee c/o Guess ?, Inc. 1444 South Alameda Street Los Angeles, California 90021
714,655 shares of Common Stock	ARMAND MARCIANO 1996 GRANTOR RETAINED ANNUITY TRUST By: /s/ MAURICE MARCIANO Maurice Marciano Co-Trustee By: /s/ MARC E. PETAS

Marc E. Petas
Co-Trustee

c/o Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021

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*10.29. Indemnification Agreement among the Registrant and certain stockholders of the Registrant.

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INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT (the "Agreement"), dated as of August 7, 1996, among the following parties (the "Parties"): Guess ?, Inc., a Delaware corporation (the "Company"), the stockholders of the Company indicated on the signature pages hereto (such stockholders being referred to herein, collectively, as the "Principal Stockholders").

R E C I T A L S

WHEREAS, the Parties, together with Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated, as representatives of the U.S. Underwriters named therein (the "U.S. Underwriters"), are parties to a U.S. Purchase Agreement of even date herewith (the "U.S. Purchase Agreement") and, together with Merrill Lynch International and Morgan Stanley & Co. International Limited, as representatives of the Managers named therein (the "Managers"), are parties to an International Purchase Agreement of even date herewith (the "International Purchase Agreement," and, together with the U.S. Purchase Agreement, being referred to herein, collectively, as the "Purchase Agreements");

WHEREAS, pursuant to the terms of the Purchase Agreements, the Principal Stockholders may be required to indemnify the U.S. Underwriters or the Managers (as the case may be) with respect to, or contribute to, certain liabilities arising out of the offering of the common stock of the Company, par value $.01 per share, contemplated by the Purchase Agreements;

WHEREAS, the Company wishes to indemnify and advance expenses to the Principal Stockholders in connection with any proceedings and liabilities arising from the obligation of the Principal Stockholders under the Purchase Agreements in the manner provided for herein.

NOW, THEREFORE, in consideration of the foregoing recitals, the agreements contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Parties hereby agree as follows:

Section 1. Indemnification and Advancement of Expenses. In respect of any proceeding by any Indemnified Party (as defined in the U.S. Purchase Agreement or the International Purchase Agreement, as the case may be) against a Principal Stockholder in respect of (i) any breach of a representation or warranty contained in Section 1 of each of the Purchase Agreements and (ii) indemnification under Section 6 or contribution under Section 7 of each of the Purchase Agreements:

(a) Subject to the provisions of paragraph (b) of this Section 1,

(i) the Company agrees to advance the reasonable expenses incurred by such Principal Stockholder in respect of such proceeding including those incurred by such Principal Stockholder for separate counsel and to reimburse any such reasonable expenses not advanced by the Company in the first instance;

(ii) the Company agrees to indemnify such Principal Stockholder in respect of any liability incurred in or as a result of such proceeding; and

(iii) the authorization by the Company's stockholders of the agreement to indemnify contained herein and the execution of this Agreement constitute a conclusive determination that indemnification is due to such Principal Stockholder in such circumstances and the specific stockholder authorization for such indemnification.

(b) The Company shall not indemnify such Principal Stockholder from or on account of:

(i) such stockholder's acts or omissions finally adjudged to be intentional misconduct or a knowing violation of law;

(ii) such stockholder's conduct finally adjudged to be in violation of Section 174 of the General Corporation Law of the State of Delaware; or

(iii) any transaction with respect to which it was finally adjudged that such stockholder personally received a benefit in money, property, or services to which such stockholder was not legally entitled.

Section 2. Successors and Assigns. This Agreement and all obligations, rights and remedies of the Parties hereunder shall be binding upon and inure to the benefit of their respective legal representatives, successors and assigns.

Section 3. Entire Agreement. Each of the Parties acknowledge that there are no other agreements or representations, either oral or written, express or implied, not embodied or referenced in this Agreement, which represents a complete integration of all prior and contemporaneous agreements and understandings of the parties hereto with respect to the subject matter hereof.

Section 4. Governing Law. This agreement shall be construed in accordance with the laws of the State of New York, without regard to the choice of law rules thereof, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 5. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same instrument.

[Signature pages follow]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

GUESS ?, INC.

By: /s/ ROGER A. WILLIAMS
Name: Roger A. Williams
Title: Executive Vice President and Chief Financial Officer

MAURICE MARCIANO TRUST
(1995 RESTATEMENT)

By: /s/ MAURICE MARCIANO
Maurice Marciano
Trustee

PAUL MARCIANO TRUST
UNDER TRUST DATED FEBRUARY 20, 1986

By: /s/ PAUL MARCIANO
Paul Marciano
Trustee

ARMAND MARCIANO TRUST
UNDER TRUST DATED FEBRUARY 20, 1986

By: /s/ ARMAND MARCIANO
Armand Marciano
Trustee

10.30. Indemnification Agreement between the Registrant and certain executives and directors.

INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT, dated as of March 3, 1997 (this "Agreement"), by and between Guess ?, Inc., a Delaware corporation (the "Company"), and Aldo Papone ("Indemnitee").

W I T N E S S E T H:

WHEREAS, the Company desires to attract and retain the services of able persons to serve as officers and directors of the Company and to indemnify certain of its officers, and its directors, except as otherwise provided in Section 3 of this Agreement, to the fullest extent of the law;

WHEREAS, the Company and Indemnitee recognize the increasing difficulty in obtaining officers' and directors' liability insurance, the significant increase in the cost of such insurance and the general reduction in the coverage of such insurance;

WHEREAS, the Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting officers and directors to expensive litigation risks at the same time that liability insurance has been severely limited; and

WHEREAS, neither Indemnitee nor the Company regards statutory indemnification protection as adequate given the present circumstances;

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. (a) Third-Party Proceedings. The Company shall indemnify Indemnitee to the full extent of Delaware law, except as otherwise provided in Section 3 of this Agreement, if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed suit, action, proceeding, arbitration or alternative dispute resolution mechanism, investigation, administrative hearing, whether civil, criminal, administrative or investigative (any such suit, action, proceeding, arbitration or alternative dispute resolution mechanism, investigation, administrative hearing being referred to herein as a "Proceeding") (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director of the Company or any subsidiary of the Company or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another Person (as defined in Section 6(d)), against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such action or proceeding if Indemnitee acted in good faith and in a manner

Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and its stockholders, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

(b) Proceedings By or in the Right of the Company. The Company shall indemnify Indemnitee to the full extent of Delaware law, except as

otherwise provided in Section 3 of this Agreement, if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed Proceeding by or in the right of the Company or any subsidiary of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director of the Company or any subsidiary of the Company or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another Person, against expenses (including attorneys' fees) and, to the fullest extent permitted by Delaware law, amounts paid in settlement (if such settlement is approved by the Company, which approval shall not be unreasonably withheld), in each case to the extent actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such Proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and its stockholders, except that no indemnification shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Company and its stockholders in the performance of Indemnitee's duty to the Company and its stockholders unless and only to the extent that the Court of Chancery of the State of Delaware, or the court in which such action or proceeding shall have been brought or is pending, shall determine that in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for expenses, and then only to the extent that the court shall determine.

(c) Selection of Counsel. In the event the Company shall be obligated under Section 1(a) or (b) hereof to pay the expenses of any Proceeding against Indemnitee, the Company shall be entitled to assume the defense of such Proceeding, with counsel approved by Indemnitee (who shall not unreasonably withhold such approval), upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Proceeding, provided, that, (i) Indemnitee shall have the right to employ his counsel in any such proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized in writing by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense and shall have notified the Company in writing thereof, (C) Indemnitee shall have reasonably concluded that there may be a conflict of interest between Indemnitee and other indemnitees of the Company being represented by counsel retained by the Company in the same proceeding and shall have notified the Company in writing thereof or (D) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

2. Contribution. If, when Indemnitee has met the applicable standard of conduct, the indemnification provisions set forth in Section 1 should, under applicable law, be to any extent unenforceable, then the Company agrees that it shall be treated as though it is or was a party to the threatened, pending or completed Proceeding in which Indemnitee is or was involved and that the Company shall contribute to the amounts paid or payable by Indemnitee as a result of such expenses (including attorneys' fees), judgments in third-party Proceedings, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and Indemnitee on the other in connection with such action or inaction, or alleged action or inaction, as well as any other relevant equitable considerations.

For purposes of this Section 2, the relative benefit to the Company

shall be deemed to be the benefits accruing to it and to all of its directors, officers, employees and agents (other than Indemnitee), as a group and treated as one entity, and the relative benefit to Indemnitee shall be deemed to be an amount not greater than Indemnitee's yearly base salary or director's compensation, as the case may be, from the Company during the first year in which the action or inaction, or alleged action or inaction, forming the basis for the threatened, pending or contemplated Proceeding was alleged to have occurred plus the amount, if any, of monetary benefit and other consideration received by Indemnitee in the transaction(s) that gave rise to such Proceeding. The relative fault shall be determined by reference to, among other things, the fault of the Company and all of its directors, officers, employees and agents (other than Indemnitee), as a group and treated as one entity, and such group's relative intent, knowledge, access to information and opportunity to have altered or prevented the action or inaction, or alleged action or inaction, forming the basis for the threatened, pending or contemplated Proceeding, and Indemnitee's relative fault in light of such factors on the other hand.

3. Limitations to Rights of Indemnification and Advancement of Expenses. Except as otherwise provided in Sections 9 and 12 of this Agreement, Indemnitee shall not be entitled to indemnification or advancement of expenses under this Agreement:

(a) with respect to any Proceeding initiated, brought or made by Indemnitee (i) against the Company, unless a Change in Control (as defined in Section 5(b) of this Agreement) shall have occurred, or (ii) against any person other than the Company, unless approved in advance by the board of directors of the Company (the "Board");

(b) on account of any suit in which it shall be determined by final judgment by a court having jurisdiction in the matter that Indemnitee intentionally caused or intentionally contributed to the injury complained of with the knowledge that such injury would occur;

(c) on account of Indemnitee's conduct which shall be determined by final judgment by a court having jurisdiction in the matter that Indemnitee was knowingly fraudulent, deliberately dishonest, engaged in willful misconduct or that Indemnitee received an improper personal benefit;

(d) for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, to the extent that a court of competent jurisdiction determines that any of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous;

(e) for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) which have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors' liability insurance maintained by the Company;

(f) for expenses or the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any similar successor statute; or

(g) if it shall be determined by final judgment by a court having jurisdiction in the matter that such indemnification is not lawful.

4. Procedure for Determination of Entitlement to Indemnification. (a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to

determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification, a determination with respect to Indemnitee's entitlement thereto shall be made in the specific case as follows:

(i) if a Change in Control (as defined in Section 5(b) of this Agreement) shall have occurred, by Independent Counsel (as defined in Section 5(a) of this Agreement) in a written opinion to the Board, a copy of which shall be delivered to Indemnitee (unless Indemnitee shall request that such determination be made by the Board or the Stockholders, in which case the determination shall be made in the manner provided below in clause (ii)); or

(ii) if a Change in Control shall not have occurred, (A) by the Board by a majority vote of a quorum consisting of disinterested directors, (B) if a quorum of the Board consisting of disinterested directors is not obtainable or, even if obtainable, such quorum of disinterested directors so directs, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (C) by the stockholders of the Company.

(c) If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons

or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(d) If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 7 days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection. Such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 5(a) of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is made, the Independent Counsel so selected may not serve as Independent Counsel unless and until a court has determined that such objection is without merit. If, twenty (20) days after submission by Indemnitee of a written request for indemnification pursuant to Section 4 hereof, no Independent Counsel shall have been selected or if selected, shall have been objected to, in accordance with this Section 4(d), either the Company or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel

and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate. The person with respect to whom an objection is favorably resolved or the person so appointed shall act as Independent Counsel under Section 4 hereof. The Company shall pay any and all reasonable fees and expenses incident to the procedures of this Section 4, including reasonable fees and expenses incurred by such Independent Counsel regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 12 of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

5. (a) "Independent Counsel" means a law firm or a member of a law firm that neither at the time in question, nor in the five years immediately preceding such time has been retained to represent (i) the Company or Indemnitee in any matter material to either such party or (ii) any other party to the proceeding giving rise to a claim for indemnification under this Agreement. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing under the law of the State of Delaware,

would be precluded from representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

(b) "Change in Control" means the occurrence of any of the following events:

(i) the Company is merged, consolidated or reorganized into or with another corporation or other entity, and as a result of such merger, consolidation or reorganization less than a majority of the combined voting power of the then-outstanding securities of such corporation or entity immediately after such transaction are held in the aggregate by the holders of voting stock immediately prior to such transaction;

(ii) the Company sells or otherwise transfers all or substantially all of its assets to another corporation or other entity in which, after giving effect to such sale or transfer, the holders of voting stock of the Company immediately prior to such sale or transfer hold in the aggregate less than a majority of the combined voting power of the then-outstanding securities of such other corporation;

(iii) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report or item therein), each as promulgated pursuant to the Exchange Act, disclosing that any person or entity, other than any shareholder of the Company (and its affiliates) owning 10% or more of the Company's voting stock on the date hereof, has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 50% or more of the combined voting power of the Company's voting stock; or

(iv) if during any period of two consecutive years individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority thereof; provided, however, that for purposes of this clause (iv) each director of the Company who is first elected, or first nominated for election by the Company's stockholders, by a vote of at least majority of the directors of the Company (or a committee of the Board) then still in office who were directors of the Company at the beginning of any such period shall be deemed to have been a director of the Company at the beginning of such period.

Notwithstanding the provisions of clause (iii) above, unless otherwise

determined in the specific case by majority vote of the Board, a "Change in Control" shall not be deemed to have occurred solely because the Company, any subsidiary or any employee stock ownership plan or any other employee benefit plan of the Company or any subsidiary either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1 or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act disclosing beneficial ownership by it of shares of voting stock of the Company, whether in excess of 50% or otherwise, or because the Company reports that a change in control of the Company has occurred or will occur in the future by reason of such beneficial ownership.

6. Presumptions and Effect of Certain Proceedings. (a) In making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 4 of this Agreement, and the Company shall bear the burden of proof to rebut that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

(b) The termination of any Proceeding or of any claim, issue or matter therein by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(c) Indemnitee's conduct with respect to an employee benefit plan for a purpose he reasonably believed to be in the interests of the participants in and beneficiaries of the plan shall be deemed to be conduct that Indemnitee reasonably believed to be in or not opposed to the best interests of the Company.

(d) For purposes of any determination hereunder, Indemnitee shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action was based on (i) the records or books of account of the Company or another Person, including financial statements, (ii) information supplied to him by the officers of the Company or another Person in the course of their duties, (iii) the advice of legal counsel for the Company or another Person, or (iv) information or records given or reports made to the Company or another Person by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company or another Person. The term "another Person" as used in this Agreement shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as an officer, director, partner, trustee, employee or agent. The provisions of this Section 6(d) shall not be deemed to limit in any way the other circumstances in which Indemnitee may be deemed to have met the applicable standard of conduct set forth in Section 1.

7. Success on Merits or Otherwise. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section 1 hereof, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the investigation, defense, settlement or appeal thereof. For purposes of this Section 7, the term

"successful on the merits or otherwise" shall include, but not be limited to, (i) any termination, withdrawal or dismissal (with or without prejudice)

of any Proceeding against Indemnitee without any express finding of liability or guilt against him, (ii) the expiration of 180 days after the making of any claim or threat of a Proceeding without the institution of the same and without any promise of payment or payment made to induce a settlement or (iii) the settlement of any Proceeding under Section 1, pursuant to which Indemnitee pays less than $25,000.

8. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the claims, damages, expenses (including attorneys' fees), judgments, fines or amounts paid in settlement by Indemnitee in connection with the investigation, defense, settlement or appeal of any Proceeding specified in Section 1, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. The party or parties making the determination shall determine the portion (if less than all) of such claims, damages, expenses (including attorneys' fees), judgments, fines or amounts paid in settlement for which Indemnitee is entitled to indemnification under this Agreement.

9. Costs. All the costs of making the determination required by Section 4 hereof shall be borne solely by the Company, including, but not limited to, the costs of legal counsel, proxy solicitations and judicial determinations. The Company shall also be solely responsible for paying (i) all reasonable expenses incurred by Indemnitee to enforce this Agreement, including, but not limited to, the costs incurred by Indemnitee to obtain court-ordered indemnification pursuant to Section 12, regardless of the outcome of any such application or proceeding, and (ii) all costs of defending any Proceedings challenging payments to Indemnitee under this Agreement.

10. Advance of Expenses. The Company shall advance all expenses incurred by or on behalf of Indemnitee in connection with any Proceeding within twenty (20) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the expenses incurred by Indemnitee and shall include or be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay any expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such expenses, which undertaking shall be accepted by or on behalf of the Company without reference to the financial ability of Indemnitee to make repayment, and without the pledging of any security by Indemnitee. Notwithstanding Indemnitee's above-described rights to advancement of expenses, no advance of expenses shall be made in the circumstances proscribed by Section 3(a). Notwithstanding any other provision of this Agreement, if Indemnitee requests an adjudication or an award in arbitration pursuant to the provisions of Section 12 below in order to establish an entitlement to indemnification or advancement of expenses, any determination made pursuant to Section 4 of this Agreement that Indemnitee is not entitled to indemnification or to receive advancement of expenses shall not be binding and Indemnitee shall not be required to reimburse the Company for any expense advance unless and until a final judicial determination or award in arbitration is made with respect thereto as to which all rights of appeal therefrom have been exhausted or lapsed.

11. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by

reason of any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee or agent of the Company or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another Person, a witness in any Proceeding, whether instituted by the Company or any other party, and to which Indemnitee is not a party, he shall be indemnified against all expenses actually and reasonably incurred by him or on his behalf in connection therewith.

12. Enforcement. (a) If a claim for indemnification or advancement of expenses made to the Company pursuant to Section 3 or 10 is not timely paid in full to Indemnitee by the Company as required by Section 3 or 10, respectively, Indemnitee shall be entitled to seek judicial enforcement of the Company's obligations to make such payment in an appropriate court of the state of Delaware or any other court of competent jurisdiction. In the event that a determination is made that Indemnitee is not entitled to indemnification or advancement of expenses hereunder, (i) Indemnitee may seek a de novo adjudication of Indemnitee's entitlement to such indemnification or advancement either, at Indemnitee's sole option, in (A) an appropriate court of the state of Delaware or any other court of competent jurisdiction or (B) an arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association; (ii) any such judicial proceeding or arbitration shall not in any way be prejudiced by, and Indemnitee shall not be prejudiced in any way by such adverse determination; and (iii) in any such judicial proceeding or arbitration the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advancement of expenses under this Agreement. Indemnitee shall commence a proceeding seeking an adjudication of Indemnitee's right to indemnification or advancement of expenses pursuant to the preceding sentence within one year following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 12(a); provided, however, that the foregoing time limitation shall not apply in respect of a proceeding brought by Indemnitee to enforce Indemnitee's rights under Section 7 hereof.

(b) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to the provisions of Section 12(a) that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(c) In any action brought under this Section 12, it shall be a defense to a claim for indemnification (other than an action brought to enforce a claim for advancement of expenses) that Indemnitee has not met the standards of conduct which make it permissible under Delaware law for the Company to indemnify Indemnitee for the amount claimed. The burden of proving such defense shall be on the Company.

(d) It is the intent of the Company that Indemnitee not be required to incur the expenses associated with the enforcement of his rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be

extended to Indemnitee hereunder. Accordingly, if it should appear to Indemnitee that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding designed (or having the effect of being designed) to deny, or to recover from, Indemnitee the benefits intended to be provided to Indemnitee hereunder, the Company irrevocably authorizes Indemnitee from time to time to retain counsel of his choice, at the expense of the Company as hereafter provided, to represent Indemnitee in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Regardless of the outcome

thereof, but subject to Indemnitee having acted in good faith, the Company shall pay and be solely responsible for any and all costs, charges and expenses, including attorneys' and others' fees and expenses, incurred by Indemnitee (i) as a result of the Company's failure to perform this Agreement or any provision thereof or (ii) as a result of the Company's or any person's contesting the validity or enforceability of this Agreement or any provision thereof as aforesaid.

13. Liability Insurance and Funding. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any director or officer of the Company. If, at the time of the receipt of a notice of a claim pursuant to Section 4 hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies. The Company shall have no obligation to obtain or maintain such insurance.

14. Merger or Consolidation. In the event that the Company shall be a constituent corporation in a merger, consolidation or other reorganization, the Company shall require as a condition thereto, (a) if it shall not be the surviving, resulting or other corporation therein, the surviving, resulting or acquiring corporation to agree to indemnify Indemnitee to the full extent provided herein, and (b) whether or not the Company is the surviving, resulting or acquiring corporation therein, Indemnitee shall also stand in the same position under this Agreement with respect to the surviving, resulting or acquiring corporation as Indemnitee would have with respect to the Company if the Company's separate existence had continued.

15. Nondisclosure of Payments. Except as expressly required by federal securities laws or other applicable laws, Indemnitee shall not disclose any payments made under this Agreement, whether indemnification or advancement of expenses, unless prior written approval of the Company is obtained. Any payments to Indemnitee that must be disclosed shall, unless otherwise required by law, be described only in the Company proxy or information statements relating to special and/or annual meetings of the Company's stockholders, and the Company shall afford Indemnitee the reasonable

opportunity to review all such disclosures and, if requested, to explain in such statement any mitigating circumstances regarding the events reported.

16. Nonexclusivity and Severability; Subrogation. (a) The right to indemnification and advancement of expenses provided by this Agreement shall not be exclusive of any other rights to which Indemnitee may be entitled under the Restated Certificate of Incorporation or Bylaws of the Company, Delaware law, any other statute, insurance policy, agreement, vote of stockholders of the Company or of the Board (or otherwise), both as to actions in his official capacity and as to actions in another capacity while holding such office, and shall continue after Indemnitee has ceased to be a director or officer of the Company and shall inure to the benefit of his heirs, executors and administrators; provided, however, that to the extent Indemnitee otherwise would have any greater right to indemnification and/or advancement of expenses under any provision of the Restated Certificate of Incorporation or the Bylaws of the Company, Indemnitee shall be deemed to have such greater right pursuant to this Agreement; and, provided, further, that to the extent that any change is made to the Delaware law (whether by legislative action or judicial decision), the Restated Certificate of Incorporation and/or the Bylaws that permits any greater right to indemnification and/or advancement of expenses than that provided under this

Agreement as of the date hereof, Indemnitee shall be deemed to have such greater right pursuant to this Agreement. No amendment, alteration, or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee prior to such amendment, alteration, or repeal.

(b) If any provision or provisions of this Agreement are held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any provisions of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any provisions of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all actions necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

17. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressed, on the date of such receipt, or (ii) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice.

18. Mutual Acknowledgment. Both the Company and Indemnitee acknowledge that in certain instances federal law or public policy may override applicable state law and prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the Securities and Exchange Commission (the "Commission") has taken the position that indemnification is not permissible for liabilities arising under certain federal securities laws, and federal legislation prohibits indemnification for certain ERISA violations. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

19. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Delaware, without giving effect to principles of conflict of laws.

20. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the state of Delaware for all purposes in connection with any action, suit or proceeding which arises out of or relates to this Agreement.

21. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforcement is sought needs to be produced to evidence the existence of this Agreement.

22. Modification; Survival. This Agreement may be modified only by an

instrument in writing signed by both parties hereto. The provisions of this Agreement shall survive the death, disability or incapacity of Indemnitee or the termination of Indemnitee's service as a director or officer of the Company and shall inure to the benefit of Indemnitee's heirs, executors and administrators.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

INDEMNITEE Guess ?, Inc.

By:

Eleven additional identical Indemnification Agreements in the form above, dated August 13, 1996, were entered into between the Company and each of the following persons: Maurice Marciano, Paul Marciano, Armand Marciano, Francis K. Duane, Edward Loseman, Nancy Shachtman, Terence Tsang, Michael Wallen, Glenn Weinman, Andrea Weiss, Roger Williams.

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<F2>INCLUDES NON-RECURRING CHARGES RELATED TO THE WRITEDOWN OF OPERATING ASSETS TO BE DISPOSED OF IN CONTEMPLATION OF THE OFFERINGS AGGREGATING $3.6 MILLION RELATING TO (A) DISPOSAL OF TWO CURRENTLY ACTIVE REMOVE WAREHOUSE AND PRODUCTION FACILITIES, WHICH ARE NOT EXPECTED TO BE USED IN THE COMPANY'S OPERATIONS AFTER THE OFFERINGS, RESULTING IN A NET BOOK LOSS OF $2.4 MILLION, AND (B) THE NET BOOK LOSS OF $1.2 MILLION INCURRED BY THE COMPANY IN CONNECTION WITH THE SALE OF ONE OF ITS AIRCRAFT TO AN UNAFFILIATED THIRD PARTY FOR $6.0 MILLION IN CONTEMPLATION OF THE OFFERINGS.
<F3>THE COMPANY'S INITIAL PUBLIC OFFERING WAS IN AUGUST 1996, AT WHICH POINT THE S ELECTION TERMINATED. NET EARNINGS AND INCOME TAXES REFLECTS PRO FORMA ADJUSTMENTS FOR FEDERAL AND STATE INCOME TAXES AS IF THE COMPANY HAD BEEN TAXED AS A C CORPORATION RATHER THAN AN S CORPORATION FOR THE FULL YEAR.
<F4>REFLECTS PRO FORMA EARNINGS PER SHARE.
</FN>